
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coastal Realty Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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



COASTAL REALTY GROUP LIMITED

*(Proposed to be renamed as Coastal Greenland Limited)
(incorporated in Bermuda with limited liability)*

**MAJOR AND CONNECTED TRANSACTION,
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,
PROPOSED CHANGE OF COMPANY NAME
AND
PROPOSED GRANT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES**

Financial adviser to the Company



SinoPac Securities (Asia) Limited

**Financial adviser to
the independent board committee of the Company**



First Securities (HK) Limited

A notice convening a special general meeting of the Company to be held at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway Hong Kong at 10:30 a.m., on 9th June, 2003, is set out on pages 123 to 128 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting should you so wish.

A letter of advice from First Securities (HK) Limited to the independent board committee of the Company is set out on pages 22 to 34 of this circular.

13th May, 2003

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	21
Letter from First Securities	22
Appendix I – Accountants’ Report of Unicorn Power Limited	35
Accountants’ Report of Carry Investment Limited	41
Accountants’ Report of China Max Development Limited	47
Accountants’ Report of Tangshan New Island Tourism Development Company Limited	53
Appendix II – Financial Information	60
Appendix III – Valuation Report	108
Appendix IV – Explanatory Statement	113
Appendix V – General Information	116
Notice of SGM	123

DEFINITIONS

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

“Acquisition Agreements”	collectively the Unicorn Agreement, Carry Agreement and China Max Agreement
“Acquisitions”	collectively, the Unicorn Acquisition, Carry Acquisition and China Max Acquisition
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Carry Acquisition”	the acquisition of the Carry Shares and Carry Shareholders’ Loan subject to and upon the terms and conditions of the Carry Agreement
“Carry Agreement”	the sale and purchase agreement dated 17th April, 2003 and entered into between Coastal Enterprise Group Limited and Independent Party A on one hand, and the Company on the other
“Carry Shareholders’ Loan”	the aggregate amount of shareholders’ loan owed by Carry Investment Limited as at Completion, of which 65% is owed to Coastal Enterprise Group Limited and 35% is owed to Independent Party A
“Carry Shares”	the entire issued share capital of Carry Investment Limited, of which 65% is beneficially owned by Coastal Enterprise Group Limited and 35% is beneficially owned by Independent Party A
“China Max Acquisition”	the acquisition of the China Max Shares and the China Max Shareholders’ Loan subject to and upon the terms and conditions of the China Max Agreement
“China Max Agreement”	the sale and purchase agreement dated 17th April, 2003 and entered into between Party B and Independent Party C on one hand, and the Company on the other

DEFINITIONS

“China Max Shareholders’ Loan”	70% of the shareholders’ loan owed by China Max Development Limited as at Completion, of which 35% is owed to Party B and 35% is owed to Independent Party C
“China Max Shares”	70% of the issued share capital of China Max Development Limited, of which 35% is beneficially owned by Party B and 35% is beneficially owned by Independent Party C
“Coastal International”	Coastal International Holdings Limited, a company incorporated in the British Virgin Islands, which is the controlling Shareholder. The issued share capital of Coastal International is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin, 25% by Great Scope Limited (the entire issued share capital of which is held by Jiang Ming) and 7.5% by Roseford Resources Limited (the entire issued share capital of which is held by Coastal International)
“Company”	Coastal Realty Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisitions pursuant to the Acquisition Agreements
“Consideration Shares”	an aggregate of 1,000,000,000 new Shares to be allotted and issued to the Vendors at the Issue Price credited as fully paid pursuant to the Acquisition Agreements and subject to the proposed increase in the authorised share capital of the Company
“Directors”	the directors of the Company
“First Securities”	First Securities (HK) Limited, a deemed licensed corporation to carry on a business in type 6 registered activity (advising on corporate finance) under the SFO

DEFINITIONS

“General Mandate”	the general mandate proposed to be granted at the SGM to the Directors to issue further new Shares not exceeding 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely, Tang Lap Yan and Law Kin Ho
“Independent Party A”	Mr. Wong Fei Fu, an independent party who is not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and not connected with Party B and Independent Party C
“Independent Party C”	Ms. Huang Bin, an independent party who is not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and not connected with Independent Party A and Party B
“Independent Shareholders”	Shareholders other than Coastal International and its associates (as defined in the Listing Rules)
“Issue Price”	issue price of HK\$0.10 per Consideration Share
“Joint Venture Company”	Tangshan New Island Toursim Development Company Limited (唐山新戴河旅游開發有限公司), a Chinese-foreign joint venture company established in the PRC in 2001
“Latest Practicable Date”	9th May, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

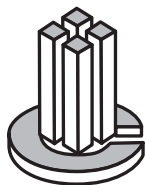
DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Party B”	Ms. Cheang Sin Nga, who is not connected with Independent Party A and Independent Party C
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong and the Macau Administrative Region of the PRC
“PRC Partner”	唐山海港興嘉物貿有限公司, an independent party who is not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)
“Property”	Da Wang Gang Island which is situated at Lao Ting County, Tang Shan City, Hebei Province, the PRC, and is to be developed into a tourist resort with ancillary real estate development
“Repurchase Mandate”	the repurchase mandate to be granted to the Directors to repurchase up to 10% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on 9th June 2003 to approve, among other things, the Acquisitions, the increase in the authorised share capital of the Company, the change of Company name, the grant of the General Mandate and the Repurchase Mandate
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Unicorn Acquisition”	the acquisition of the Unicorn Shares and Unicorn Shareholders’ Loan subject to and upon the terms and conditions of the Unicorn Agreement
“Unicorn Agreement”	the sale and purchase agreement dated 17th April, 2003 and entered into between Coastal Enterprise Group Limited on one hand and the Company on the other
“Unicorn Shareholders’ Loan”	20% of the shareholders’ loan owed by Unicorn Power Limited as at Completion to Coastal Enterprise Group Limited
“Unicorn Shares”	20% of the issued share capital of Unicorn Power Limited, which is beneficially owned by Coastal Enterprise Group Limited
“Valuer”	DTZ Debenham Tie Leung Limited, an independent valuer
“Vendors”	Coastal Enterprise Group Limited, Independent Party A, Party B and Independent Party C
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“km”	kilometre(s)
“m”	metre(s)
“RMB”	Reminbi, the lawful currency of the PRC
“sq.m”	square metre(s)
“US\$”	the United States of America dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



COASTAL REALTY GROUP LIMITED

*(Proposed to be renamed as Coastal Greenland Limited)
(incorporated in Bermuda with limited liability)*

Directors:

Chan Boon Teong (*Chairman*)
Jiang Ming (*Vice Chairman and Managing Director*)
Tao Lin
Cheng Wing Bor
Lin Chen Hsin
Zheng Hong Qing
Tang Lap Yan*
Law Kin Ho*

* *Independent non-executive Directors*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*

Room 502
Bank of East Asia Harbour
View Centre
56 Gloucester Road
Hong Kong

13th May, 2003

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION,
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,
PROPOSED CHANGE OF COMPANY NAME
AND
GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES**

INTRODUCTION

The Directors announced on 23rd April, 2003 that the Company entered into the Acquisition Agreements with Coastal Enterprise Group Limited (a wholly-owned subsidiary of Coastal International, the controlling Shareholder), Independent Party A, Party B and Independent Party C. Subject to, among other things, the approval by the Independent Shareholders of the Acquisition Agreements at the SGM, the Company has conditionally

LETTER FROM THE BOARD

agreed to acquire the Carry Shares, the Carry Shareholders' Loan, the China Max Shares, the China Max Shareholders' Loan, the Unicorn Shares and the Unicorn Shareholders' Loan under the terms of the Acquisition Agreements.

By virtue of the interests of Coastal International in the Company as well as those in the Unicorn and Carry Agreements, the Unicorn Acquisition and Carry Acquisition constitute connected transactions of the Company under the Listing Rules. The Acquisitions also constitute a major transaction of the Company under the Listing Rules.

It was also announced that the Directors propose to increase the authorised share capital of the Company from HK\$150,000,000 to HK\$300,000,000 in order to accommodate the allotment and issue of the Consideration Shares.

The Directors also propose to change the name of the Company from "Coastal Realty Group Limited" to "Coastal Greenland Limited" and adopt the Chinese name of "沿海綠色家園有限公司" for identification purpose and seek the approval of the Shareholders at the SGM to refresh the General Mandate and Repurchase Mandate.

THE ACQUISITION AGREEMENTS DATED 17TH APRIL, 2003

The terms and conditions of the Unicorn Agreement, Carry Agreement and China Max Agreement are identical except (i) the identity of the Vendor(s); (ii) the number of sale shares; (iii) the number of Consideration Shares to be allotted; and (iv) the amount of the shareholders' loan under the Acquisitions. The details of the Acquisition Agreements are as follows:

	Name of Vendor(s)	Number of sale shares	Number of Consideration Shares	Amount of net asset under the Acquisitions	Attributable amount of shareholders' Acquisitions (as at the date of the Acquisition Agreements)	Aggregate amount of net asset and shareholders' loan under the Acquisitions
Pursuant to the Unicorn Agreement	Coastal Enterprise Group Limited	2 shares of HK\$1.00 each in the capital of Unicorn Power Limited (representing 20% of the issued share capital of Unicorn Power Limited)	210,526,316	HK\$2.00	HK\$2,365,792	HK\$2,365,794
Pursuant to the Carry Agreement	Coastal Enterprise Group Limited	65 shares of HK\$1.00 each in the capital of Carry Investment Limited (representing 65% of the issued share capital of Carry Investment Limited)	273,684,211	HK\$65.00	HK\$3,075,529	HK\$3,075,594

LETTER FROM THE BOARD

Name of vendor(s)	Number of sale shares	Number of Consideration Shares	Amount of net asset under the Acquisitions	Attributable amount of shareholders' loan under the Acquisitions (as at the date of the Acquisition Agreements)	Aggregate amount of net asset and shareholders' loan under the Acquisitions	
Independent Party A	35 shares of HK\$1.00 each in the capital of Carry Investment Limited (representing 35% of the issued share capital of Carry Investment Limited)	147,368,421	HK\$35.00	HK\$1,656,054	HK\$1,656,089	
Pursuant to the China Max Agreement	Party B	35 shares of HK\$1.00 each in the capital of China Max Development Limited (representing 35% of the issued share capital of China Max Development Limited)	184,210,526	HK\$35.00	HK\$2,070,067	HK\$2,070,102
Independent Party C	35 shares of HK\$1.00 each in the capital of China Max Development Limited (representing 35% of the issued share capital of China Max Development Limited)	184,210,526	HK\$35.00	HK\$2,070,067	HK\$2,070,102	
		<u>1,000,000,000</u>	<u>HK\$172</u>	<u>HK\$11,237,509</u>	<u>HK\$11,237,681</u>	

Coastal Enterprise Group Limited is a wholly-owned subsidiary of Coastal International, which in turn is the controlling Shareholder beneficially interested in approximately 53.09% of the entire issued share capital of the Company. Save for the above, Independent Party A, Party B and Independent Party C are not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Assets acquired

Pursuant to the Acquisition Agreements, the Company has conditionally agreed to acquire (i) the Unicorn Shares and Unicorn Shareholders' Loan under the Unicorn Agreement; (ii) the Carry Shares and Carry Shareholders' Loan under the Carry Agreement; and (iii) the China Max Shares and China Max Shareholders' Loan under the China Max Agreement. The principal assets of Unicorn Power Limited, Carry Investment Limited and China Max Development Limited are their respective interests in the Joint Venture Company. The equity interests of

LETTER FROM THE BOARD

the Joint Venture Company is owned as to 50% by Unicorn Power Limited, as to 20% by Carry Investment Limited, as to 25% by China Max Development Limited and as to 5% by the PRC Partner. The principal asset of the Joint Venture Company is the Property, being an island in Tang Shan City, Hebei Province, the PRC, and its associated development rights. It is intended that the Property will be developed into a tourist resort with ancillary real estate development.

As Unicorn Power Limited, Carry Investment Limited, China Max Development Limited and the Joint Venture Company have not conducted any business other than the development of the Property, all the respective expenses have been capitalised at the development stage of the Property. Neither Unicorn Power Limited, Carry Investment Limited, China Max Development Limited nor the Joint Venture Company recorded any profit or loss for the two years ended 31st December, 2002 respectively.

The following table shows their respective net assets and shareholders' loan as at 31st January, 2003:

	Net assets as at 31st January, 2003	Shareholders' loan as at 31st January, 2003
Unicorn Power Limited	HK\$10.00	HK\$11,828,959
Carry Investment Limited	HK\$100.00	HK\$4,731,584
China Max Development Limited	HK\$100.00	HK\$5,914,479
Joint Venture Company	RMB13,896,695	RMB8,778,460

Unicorn Power Limited, Carry Investment Limited and China Max Development Limited are investment holding companies and the principal assets of which are their respective interests in the Joint Venture Company. The principal asset of the Joint Venture Company is development rights of the Property which is valued by the Valuer at approximately HK\$280,000,000 and has a book value of about RMB22 million in the Joint Venture Company. The principal liabilities of Unicorn Power Limited, Carry Investment Limited, China Max Development Limited are their respective shareholders' loan owed to their respective shareholders. The principal liabilities of the Joint Venture Company includes its shareholders' loan in the amount of approximately RMB8.78 million and other liabilities in the amount of approximately RMB0.26 million as at 31st January, 2003.

The shareholders' loan of Unicorn Power Limited, Carry Investment Limited, China Max Development Limited and the Joint Venture Company owed to their respective shareholders are non-interest bearing and have no fixed repayment terms.

LETTER FROM THE BOARD

The registered capital and the total investment amount of the Joint Venture Company as approved by the People's Government of Hebei Province are US\$11.8 million (approximately HK\$91.45 million) and US\$29.5 million (approximately HK\$228.63 million) respectively. The difference between the total investment amount and the registered capital of the Joint Venture Company will be financed by the joint venture partners in proportion to their respective equity interest in the Joint Venture Company. As at the Latest Practicable Date, the joint venture partners have paid, in accordance with the joint venture agreement, US\$1.77 million which represents about 15% of the registered capital of the Joint Venture Company. The remaining registered capital in the amount of about US\$10.03 million will be paid by the joint venture partners in proportion to their respective equity interest in the Joint Venture Company by 2005. The board of the Joint Venture Company consists of five directors. Unicorn Power Limited has the right to appoint two directors and each of Carry Investment Limited, China Max Development Limited and the PRC Partner has the right to appoint one director to the board of the Joint Venture Company. Neither the Company nor the Vendors has any intention to change the composition of the board of directors of the Joint Venture Company after Completion.

The total amount incurred by the Joint Venture Company for the development of the Property amounted to approximately RMB22 million as at 31st January, 2003. The principal business of the Joint Venture Company as stated in its "Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC" includes development and management of resort, beach, yacht pier and leisure facilities.

The following table shows the audited assets and liabilities of the Joint Venture Company as at 31st January, 2003:

	<i>RMB</i>
Total Assets	22,933,771
Total Liabilities	9,037,076
Net Assets	13,896,695

The Property

The Property was valued by the Valuer on an "as-is" basis at HK\$280,000,000 as at 31st March, 2003 and has a book value of about RMB22 million in the Joint Venture Company. The valuation of the Property was arrived at by assessment of the current market value of the Property in its existing state but not by reference to the historical transaction price of the Property. Concessionary land price is normally offered by the government for sizable projects in order to attract developers or investors by good profit prospect. The local government would rather consider the overall economical contribution to the area than the land price chargeable to land purchasers. In some cases, land is granted to investors with land price fully waived.

LETTER FROM THE BOARD

The Property is an island named Da Wang Gang Island and is located in Lao Ting County, Tang Shan City, Hebei Province, the PRC, along the northern coast of Bohai Sea. Da Wang Gang Island is approximately 243 km from Beijing and approximately 80 km from Tang Shan City, Hebei Province, the PRC. The Property is adjacent to Tangshan Seaport Development Jingtang Port and is connected with the well established highways between Beijing, Tianjin and Qinhuangdao. The Property comprises a site of three contiguous lots and forms an irregular-shaped site with a combined area of approximately 7,111,554 sq.m.. The Property is an island with a long coastal line and has a beach in the length of approximately 26,494 m which the Directors consider is suitable for developing into a resort area. In accordance with the preliminary overall development plan which is subject to the approval of the relevant authority, the Property will be developed into a resort compound with hotel, recreational facilities, villas and commercial and residential housing by phases for wide variety of recreational activities. The Property will be developed into four regions, namely an ecological recreational region, an educational region, a military theme park and a private resort and recreational area. The Property will also contain a fishing port, a yacht pier and a public pier. The Property consists of three contiguous lots of land and the Joint Venture Company has obtained three land use rights certificates for 40 years to 16th January, 2043, for the respective lots from the People's Government of Lao Ting County in January and March 2003. According to the land use rights granted by the authority, the Property has been approved for tourist development purpose.

To effectively monitor the development progress and cash flow, the Joint Venture Company will play the roles of project planner, coordinator, developer and land provider. The initial business plan of the Joint Venture Company includes the commencement of developing villas on the island and the sale of land to parties interested in establishing tourist resort and recreational facilities on the island which are within the approved business scope of the Joint Venture Company.

The development of the Property will be divided into three phases. The works in the clearance of the island have been completed and a road connecting Da Wang Gang Island and Tangshan Seaport Development Jingtang Port has been built. The first phase of development is expected to be completed by 2006 which involves the completion of the construction of the main roads on the island and the major development of the recreational and resort area and the villa area. The total investment for the development of the first phase is expected to be about RMB90 million which will be financed by investment contributions from the joint venture partners, revenue generated by the Joint Venture Company and bank borrowings of the Joint Venture Company. The amount incurred by the Joint Venture Company for the first phase of the development of the Property was approximately RMB22 million as at 31st January, 2003. The Joint Venture Company will be responsible for the major foundation work and basic infrastructure for the development of the Property and the development of villas during the first phase of development. The second phase of development will be commenced in about 2006 which is expected to be completed by 2009 and will involve completion of the construction of a hotel, the theme park and other recreational buildings. The total investment for the second phase of development is expected to be about RMB226 million which will be financed

LETTER FROM THE BOARD

by investment contributions from the joint venture partners, revenue generated by the Joint Venture Company and bank borrowings of the Joint Venture Company. No investment amount has been incurred for the second phase of development as at the Latest Practicable Date. The third phase of development will commence in about 2009 and is expected to be completed by 2015 which will involve completion of all roads and infrastructure of the island and all buildings and construction work on the island. No estimation for the investment amount for the third phase of development has been made and no investment amount has been incurred for the third phase of development as at the Latest Practicable Date. Based on the cashflow projection for the development of the Property prepared by the Directors which has taken into account of the revenue from the sales of land and properties and the internal financial resources of the Joint Venture Company, the maximum contribution for the investment in the Property by the Group after the Acquisitions will be approximately HK\$102 million and the aggregate investment contribution by other parties of the Joint Venture Company will be about HK\$112.84 million. The investment contribution to the Joint Venture Company will be made by the joint venture partners in proportion to their respective equity interests in the Joint Venture Company.

The outstanding amount of the investment contribution to the Joint Venture Company as at the Latest Practicable Date was approximately US\$27.73 million. The following is a summary of the outstanding amount which includes the outstanding capital contribution to be made by the joint venture partners:

	Total	
	<i>HK\$</i>	<i>US\$</i>
	<i>million</i>	<i>million</i>
Investment contribution		
– the Group	102.00	13.17
– Coastal Enterprise Group Limited	85.95	11.09
– Party B	16.12	2.08
– PRC Partner	10.77	1.39
	<hr/>	<hr/>
Total	<u>214.84</u>	<u>27.73</u>

The Group will finance its investment and capital contribution to the Joint Venture Company by its internal resources.

Since the Property is close to Beijing, Tianjin and Qinhaungdao and given the well established transportation system among these cities, the Directors expect that the Property will attract investors and visitors from these major cities. Given the lack of resort and recreation area near Beijing and Tinjian, the Directors anticipate that the Property will become a major area for environmental preserve education venue and a key leisure and recreational spot in the north-eastern part of the PRC.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the Acquisitions is HK\$100,000,000 which is based on the valuation of the Property made by the Valuer at HK\$280,000,000 as at 31st March, 2003 and the 47.5% equity interests in the Joint Venture Company to be acquired by the Group. Upon Completion, the equity interests held by the Company in Unicorn Power Limited will be accounted for as an investment of the Company, while the equity interests held by the Company in Carry Investment Limited and China Max Development Limited will be accounted for as the subsidiaries of the Company. The consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreements. Based on the valuation as stated above, the aggregate consideration represents a discount of approximately 24.81% to the 47.5% attributable interest of the Property and is approximately 10 times of the 47.5% attributable interest in the book value of the Property of about RMB22 million (approximately HK\$21 million) as stated in the accounts of the Joint Venture Company as at 31st January, 2003. The Board considers that the terms of the Acquisition Agreements are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

The aggregate consideration for the Acquisitions will be satisfied by the allotment and issue of the Consideration Shares at the Issue Price to the Vendors, as to 484,210,527 Consideration Shares to Coastal Enterprise Group Limited, as to 147,368,421 Consideration Shares to Independent Party A, as to 184,210,526 Consideration Shares to Party B and as to 184,210,526 Consideration Shares to Independent Party C.

Payment terms

Pursuant to the Acquisition Agreements, the aggregate consideration for the Acquisitions in the amount of HK\$100,000,000 will be satisfied by way of allotment and issue of 1,000,000,000 Consideration Shares at the Issue Price. The Issue Price (i) represents a discount of approximately 1.96% to the closing price of the Shares of HK\$0.102 per Share as quoted on the Stock Exchange on 16th April, 2003, being the last trading day before the date of the Acquisition Agreements; (ii) represents a premium of approximately 7.18% over the average closing price of the Shares of HK\$0.0933 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 16th April, 2003; (iii) represents a discount of approximately 29.08% to the closing price of the Shares of HK\$0.141 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; (iv) equals to the par value of the Shares; and (v) represents a discount of approximately 93% to the audited net assets value of approximately HK\$1.44 per Share as at 31st March, 2002.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with each other and with the existing issued Shares. The Consideration Shares represent approximately 97.66% of the existing issued share capital of the Company and approximately 49.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

Completion

Completion is expected to take place on the 7th Business Day after the fulfilment of the conditions set out in the paragraph headed “Conditions of the Acquisitions” below or such later date as may be agreed by the parties. None of the Vendors has any intention to appoint any new director to the Board upon Completion and none of Independent Party A, Party B nor Independent Party C has any shareholding in the Company as at the Latest Practicable Date.

Upon Completion, the Group will indirectly own 47.5% equity interests in the Joint Venture Company and Coastal Enterprise Group Limited will have a direct interest of 80% in Unicorn Power Limited, which represents an indirect equity interests of 40% in the Joint Venture Company. Therefore, the Group will limit its direct capital contribution to the development of the Property to its equity proportion in the Joint Venture Company on one hand and the Group can be benefited from the future development of the Property on the other hand. Upon Completion, the Group’s investment in the Joint Venture Company will be accounted for as a jointly controlled entity of the Company.

As a result of the equity interests owned by the Group and Coastal Enterprise Group Limited in the Joint Venture Company, Coastal International, the controlling Shareholder, will control the Joint Venture Company through its indirect interest of 40% in the Joint Venture Company held by Coastal Enterprise Group Limited and its deemed interest of about 47.5% equity interest in the Joint Venture Company held by the Group.

Reasons for the transaction

The Group is principally engaged in property development, property investment and provision of property management services in the PRC. The Directors anticipate that the economic climate in the PRC will maintain its upward trend and that there will be continuing improvement in the living standard of the PRC. The Directors anticipate that the growth in the demand for large scale resorts and leisure facilities in the PRC will be strong.

As tourism and recreation is a rising industry in the PRC and Tangshan Seaport Development Jingtang Port is a new economic development region along the northern coast of Bohai Sea, the Directors consider that the Property is situated at a prime location for recreation and leisure development. Therefore, the Directors believe that the Acquisitions offer a good business opportunity for investment in recreation and resort property development in the PRC and a valuable chance to obtain a major stake in a large development site in the PRC.

The Joint Venture Company is principally engaged in the development of the Property into a resort compound area. The Group has focused on the development of low density housing estate with amenity facilities in the PRC. The Directors consider that the Acquisitions are in line with the principal business of the Group’s property development in the PRC and will enable the Group to capture business opportunities arising from this tourist-related real estate market segment. In addition, the Directors believe that the Acquisitions will allow the

LETTER FROM THE BOARD

Company to further expand its property development portfolio in the PRC and enhance the asset base of the Group.

The Directors expect that the Acquisitions would not have any material adverse impact on the assets and liabilities and the earnings of the Group upon Completion.

Conditions of the Acquisitions:

Completion is conditional upon fulfilment of the following conditions:

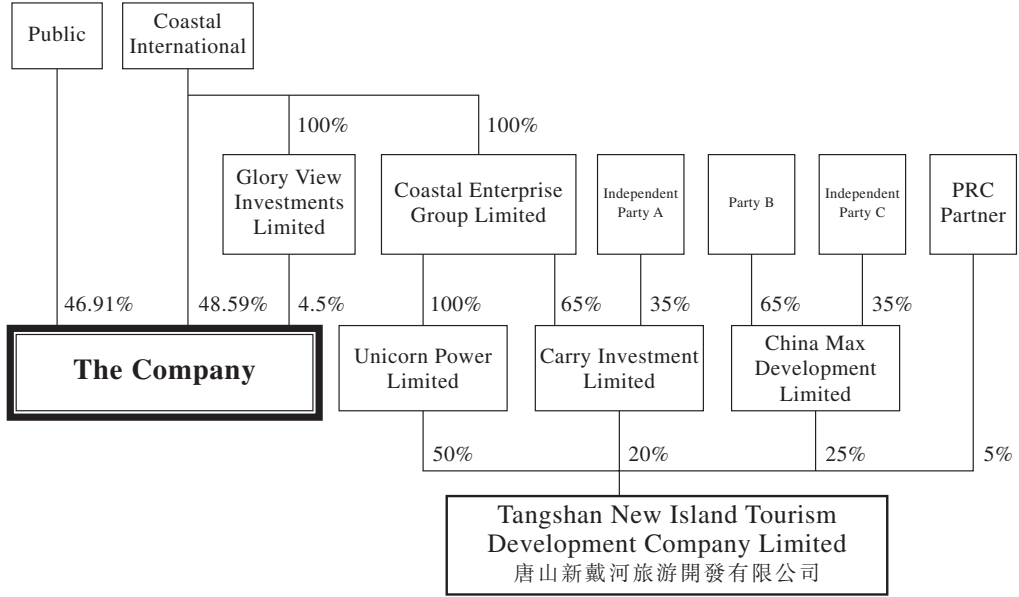
1. the Independent Shareholders passing at the SGM the necessary resolutions approving the Acquisitions and the allotment and issue of the Consideration Shares to each of the Vendors, credited as fully paid;
2. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
3. the Company having received the valuation certificate issued by the Valuer confirming the valuation of the Property being not less than HK\$280,000,000 as at 31st March, 2003;
4. the Shareholders at the SGM passing an ordinary resolution to approve the increase in the authorised share capital of the Company from HK\$150,000,000 to HK\$300,000,000;
5. the Bermuda Monetary Authority granting permission for the allotment and issue of the Consideration Shares;
6. the Company being satisfied with the results of the due diligence review to be conducted on Unicorn Power Limited, Carry Investment Limited, China Max Development Limited and the Joint Venture Company;
7. the Company having received a legal opinion covering such matters of the PRC laws by a firm of lawyers acceptable to the Company relevant to the transactions contemplated by the Acquisitions in such form and substance to the absolute satisfaction of the Company;
8. all necessary consents, authorisation, licences and approvals for or in connection with the Acquisitions having been obtained;
9. there being no matter adversely affecting the legal standing or continued existence of the Joint Venture Company or the ability of the Joint Venture Company to continue to carry on its ordinary business; and

LETTER FROM THE BOARD

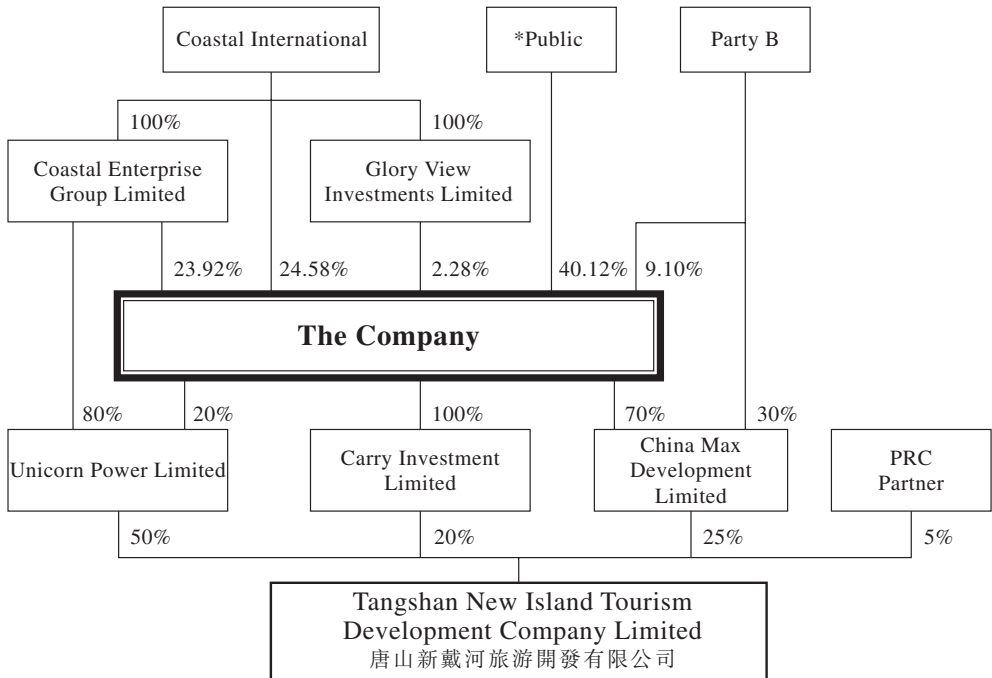
10. each of the Unicorn Agreement, Carry Agreement and China Max Agreement having become unconditional.

The shareholding structure of the Joint Venture Company before and after Completion is as follows:

Before Completion



After Completion



LETTER FROM THE BOARD

The following table shows the change in the Group's shareholding structure before and after Completion:

	Before Completion		After Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Coastal International	497,600,000	48.59	497,600,000	24.58
Coastal Enterprise Group Limited	–	–	484,210,527	23.92
Glory View Investments Limited	46,080,000	4.5	46,080,000	2.28
Party B	–	–	184,210,526	9.1
Public	480,320,000	46.91	811,898,947*	40.12
	<u>1,024,000,000</u>	<u>100.00</u>	<u>2,024,000,000</u>	<u>100.00</u>

* *The Shares held in public hands after the Completion shall include the 7.28% of the issued share capital of the Company held by Independent Party A and the 9.10% of the issued share capital of the Company held by Independent Party C.*

Coastal Enterprise Group Limited and Party B has no current intention to inject their respective remaining interests in the Joint Venture Company to the Group.

PROSPECTS

The Group has achieved a well improved results for the six months ended 30th September, 2002. The Directors anticipate that the economic climate in the PRC will maintain its upward trend. The Directors expect that the demand for residential properties in the PRC market will sustain at a steady and satisfactory level although competition in this market segment will remain keen. The Directors expect that the Group's development projects will be generating satisfactory revenue for the Group and there will be a positive progression in the performance of the Group for the year ending 31st March, 2004.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Shares, of which 1,024,000,000 Shares have been issued and fully paid or credited as fully paid. To accommodate the issue of the Consideration Shares, the Directors propose to increase the authorised share capital of the Company from HK\$150,000,000 to HK\$300,000,000 by the creation of an additional 1,500,000,000 unissued new Shares. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

LETTER FROM THE BOARD

PROPOSED CHANGE OF COMPANY NAME

The Group has adopted a business strategy of focusing on the development of low density housing estate with amenity facilities and environmental protected properties in the PRC. In order to align with the Group's business strategy, the Directors propose to change the name of the Company from "Coastal Realty Group Limited" to "Coastal Greenland Limited" and adopt the Chinese name of "沿海綠色家園有限公司" for identification purpose. The change of the Company name is subject to the following conditions:

1. the passing of a special resolution by the Shareholders at the SGM to approve the change of the Company name; and
2. the Registrar of Companies in Bermuda granting the approval for the change of the Company name.

The effective date of the change of the Company name will be the date on which the new name is registered by the Registrar of Companies in Bermuda on the register in place of the existing name. The change of the Company name will not affect any of the rights of the Shareholders. All existing share certificates of the Company in issue bearing the existing name of the Company will continue to be evidence of title to the Shares and will be valid for trading, settlement, delivery and registration purposes. Further announcement will be made in relation to the effective date of the proposed change of the Company name and arrangement for exchange of share certificates.

GENERAL MANDATES

The Directors propose to seek the approval of the Shareholders at the SGM to refresh the General Mandate and the Repurchase Mandate.

An exercise of the Repurchase Mandate will only be made after taking into consideration of the market conditions and funding arrangements at that time when it will lead to an enhancement in the net assets value per Share and/or earnings per Share. The Repurchase Mandate will only be exercised when the Directors believe that a repurchase of the Shares will benefit the Company and the Shareholders. The Directors believe that the exercise of the General Mandate will enable the Company to take advantage of any favourable market conditions for raising additional capital for the Company.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

THE SGM

There is set out on pages 123 to 128 of this circular a notice convening the SGM to be held at 10:30 a.m. on 9th June, 2003 at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong. Special and ordinary resolutions will be proposed at the SGM to approve (i) the Acquisition Agreements; (ii) the allotment and issue of the Consideration Shares; (iii) the increase in the authorised share capital of the Company; (iv) the change of Company name and adoption of Chinese name; (iv) the grant of the General Mandate; and (v) the grant of the Repurchase Mandate. **Coastal International and its associates (as defined in the Listing Rules) will abstain from voting in respect of the ordinary resolution approving (i) and (ii) above.**

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Tengis Limited, the Company's branch share registrar as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so desire.

RECOMMENDATION

First Securities has been appointed to advise the Independent Board Committee with regard to the Acquisition Agreements and the transactions contemplated thereunder. First Securities considers that the terms of the Acquisition Agreements are fair and reasonable so far as the Independent Shareholders are concerned. The text of the letter of advice from First Securities containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 22 to 34 of this circular.

The Independent Board Committee, having taken into account the advice of First Securities, considers the terms of the Acquisition Agreements to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution numbered 3 set out in the notice of the SGM for approving the Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares. The text of the letter from the Independent Board Committee is set out on page 21 of this circular.

The Directors consider that the Acquisitions, the change of name of the Company, the proposed grant of the General Mandate and Repurchase Mandate and increase in the authorised share capital of the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions proposed at the SGM.

LETTER FROM THE BOARD

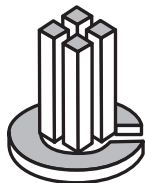
FURTHER INFORMATION

Your attention is also drawn to the letter of advice from First Securities, which contains its advice to the Independent Board Committee in connection with the Acquisition Agreements and the transactions contemplated thereunder, the recommendation of the Independent Board Committee in connection with the Acquisition Agreements and the transactions contemplated thereunder, the valuation report of the Property and the additional information set out in the Appendices to this circular.

Yours faithfully
For and on behalf of
Coastal Realty Group Limited
Chan Boon Teong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its advice to the Independent Shareholders in relation to the Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares.



COASTAL REALTY GROUP LIMITED

(Proposed to be renamed as Coastal Greenland Limited)

(incorporated in Bermuda with limited liability)

(Proposed to be renamed as Coastal Greenland Limited)

(incorporated in Bermuda with limited liability)

13th May, 2003

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We have been appointed to advise you in connection with the Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares. Details of the Acquisition Agreements are set out in the letter from the Board on pages 6 to 20 of this circular (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

We wish to draw your attention to the letter of advice from First Securities set out on pages 22 to 34 of the Circular. We have reviewed the letter of First Securities and the advice contained therein. Having taken into account the advice and recommendation of First Securities, we consider the terms of the Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares.

Yours faithfully,
The Independent Board Committee
Tang Lap Yan
Law Kin Ho



FIRST SECURITIES (HK) LIMITED

ROOM 2401, 24TH FLOOR, TOWER I, ADMIRALTY CENTRE,
18 HARCOURT ROAD, HONG KONG

13th May, 2003

The Independent Board Committee
Coastal Realty Group Limited
Rm 502, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

Dear Sirs,

**PROPOSED ACQUISITIONS
MAJOR AND CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee on the terms of the Connected Transaction, details of which are set out in the circular to Shareholders dated 13th May, 2003 (the “Circular”), of which this letter forms a part. Pursuant to the Listing Rule, the Connected Transaction is subject to the Independent Shareholders’ approval at the SGM. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 17th April, 2003, the Company entered into the Acquisition Agreements with Coastal Enterprise Group Limited, a wholly owned subsidiary of the controlling Shareholder, Coastal International, Independent Party A, Party B and Independent Party C (the “Vendors”) in relation to the acquisition of (i) the Unicorn Shares and Unicorn Shareholders’ Loan; (ii) the Carry Shares and Carry Shareholders’ Loan; and (iii) the China Max Shares and China Max Shareholders’ Loan by the allotment and issue of the Consideration Shares at the Issue Price. Unicorn Power Limited, Carry Investment Limited and China Max Development Limited are investment holding companies, and their principal assets are their respective interests in the Joint Venture Company. The equity interests of the Joint Venture Company is owned as to 50% by Unicorn Power Limited, as to 20% by Carry Investment Limited, as to 25% by China Max Development Limited and as to 5% by the PRC Partner. The Joint Venture Company is principally engaged in the development of the Property into a tourist resort with ancillary real estate development in Tang Shan City, Hebei Province, the PRC. Upon Completion, the Group will have an aggregate of 47.5% indirect interests in the Joint Venture Company.

LETTER FROM FIRST SECURITIES

The principal asset of the Joint Venture Company is the Property. The Property was valued by the Valuer on an “as-is” basis at HK\$280,000,000 as at 31st March, 2003 and has a book value of about RMB22 million in the Joint Venture Company as at 31st January, 2003.

The valuation of the Property was arrived at by assessment of the current market value of the Property in its existing state but not by reference to the historical transaction price of the Property. Concessionary land price is normally offered by the government for sizable projects in order to attract developers/investors by good profit prospect. The local government would rather consider the overall economical contribution to the area than the land price chargeable to land purchasers. In some cases, land is granted to investors with land price fully waived.

The Property is an island named Da Wang Gang Island and is located at Lao Ting County, Tang Shan City, Hebei Province, the PRC and is at the northern coast of Bohai Sea. Da Wang Gang Island is approximately 243 km from Beijing and approximately 80 km from Tang Shan City. The Property is adjacent to Tangshan Seaport Development Jingtang Port and is connected with the well established highways between Beijing, Tianjin and Qinhuangdao. The Property comprises a site of three contiguous lots and forms an irregular-shaped site with a combined area of approximately 7,111,554 sq.m. The Property is an island with a long coastal line and has a beach in the length of approximately 26,494 m. which is suitable for developing into a resort area. In accordance with the preliminary overall development plan which is subject to the approval of the relevant authority, the Property will be developed into a resort compound with hotel, recreational facilities, villas and commercial and residential housing by phases for wide variety of recreational activities.

The Property will be developed by three phases into four regions, namely an ecological recreational region, an educational region, a military theme park and a private resort and recreational area. The Property will also contain a fishing port, a yacht pier and a public pier. The Joint Venture Company has obtained three land use rights certificates for 40 years to 16th January, 2043, for the respective three lots from the Lao Ting County People’s Government in January and March 2003.

Subject to the approval of the Independent Shareholders at the SGM with respect to the Acquisitions, the Company will issue the agreed number of 1,000,000,000 new Shares to the Vendors.

The Company has confirmed that, the Company is entitled to appoint two out of five directors to the board of the Joint Venture Company via the control of Carry Investment Limited and China Max Development Limited.

The Directors consider that the terms of the conditional Acquisition Agreements, which were normal commercial terms negotiated at arm’s length, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Coastal Enterprise Group Limited is a wholly-owned subsidiary of Coastal International, which in turn is the controlling Shareholder and beneficially owned approximately 53.09% of the entire issued share capital of the Company. By virtue of the Listing Rules, the Acquisitions constitute a major and connected transaction to the Company. The Acquisitions are subject to the Independent Shareholders’ approval at the SGM, at which Coastal International and its associates (as defined in the Listing Rules) will abstain from voting in respect of the relevant resolution at the SGM.

LETTER FROM FIRST SECURITIES

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the dispatch of the Circular.

We consider that we have been provided with information sufficient to form a reasonable basis for our opinion. We have no reason to suspect that there are any relevant information that has been withheld, nor are we aware of any fact or circumstances which indicate that the information provided and representations and opinions made to us are untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe that there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Connected Transaction, we have considered the following principal factors and reasons:

1. Reasons for the Acquisitions

The Group is principally engaged in property development, property investment and provision of property management services in the PRC. The Directors anticipate that the economic climate in the PRC will maintain its present upward trend and that there will be continuing improvement in the living standard in the PRC. The Directors anticipate that the growth in the demand for large scale resorts and leisure facilities in the PRC will be strong.

As tourism and recreation is a rising industry in the PRC and Tangshan Seaport Development Jingtang Port is a new economic development region along the northern coastal of Bohai Sea, the Directors consider that the Property is situated at a prime location for recreation and leisure development. Therefore, the Directors believe that the Acquisitions offer a good business opportunity for investment in recreation and resort property development in the PRC and a valuable chance to obtain a major stake in a large development site in the PRC.

LETTER FROM FIRST SECURITIES

The Property is situated in the popular northeast travel routes in Hebei between Tianjin and Shanhaiguan or Beijing and Shanhaiguan. The routes cover Tianjin, Beijing, Tangshan, Changnai, Nandaihe, Beidaihe, Qinhuangdao and lastly Shanhaiguan.

These routes are popular in summer holidays. Beautiful beaches, historic architecture, varied scenery, sports, boating, sailing, fishing, wild life, re-habilitation are the leading attractions.

The tourists come from inland China and overseas. Each year, over 6 million tourists get around these destinations in the region.

The Joint Venture Company is principally engaged in the development of the Property into a resort compound area with ancillary real estate development. The Group has focused on the development of low density housing estate with amenity facilities in the PRC. The Directors consider that the Acquisitions are in line with the principal business of the Group's property development in the PRC and will enable the Group to capture business opportunities arising from this tourist related real estate market segment. The management team of the Company has extensive experience in the property development in the PRC. It is the Company's practice that in the course of its business, it will engage the services of outside experts on a specialised field pertaining to the business of the Group. With the extensive experience of the management in the PRC and the relevant expertise services to be obtained, the Directors have confidence in expanding into the tourist related real estate business. In addition, the Directors believe that the Acquisitions will allow the Company to further expand its property development portfolio in the PRC and enhance the asset base of the Group.

2. Consideration

(i) *Basis of the consideration*

The aggregate consideration for the Acquisitions is HK\$100,000,000 which is based on the valuation of the Property made by the Valuer at HK\$280,000,000 as at 31st March, 2003 and the 47.5% equity interests in the Joint Venture Company to be acquired by the Group. The consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreements. Based on the above valuation, the aggregate consideration represents a discount of approximately 24.81% to the 47.5% attributable interest of the Property and is approximately 10 times of the 47.5% attributable interest in the net book value of about RMB22 million (approximately HK\$21 million) as stated in the accounts of the Joint Venture Company as at 31st January 2003.

The Directors consider that the terms of the Acquisition Agreements are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

LETTER FROM FIRST SECURITIES

The aggregate consideration for the Acquisitions will be satisfied by allotment and the issue of the Consideration Shares at the Issue Price to the Vendors as to 484,210,527 Consideration Shares to Coastal Enterprise Group Limited, as to 147,368,421 Consideration Shares to Independent Party A, as to 184,210,526 Consideration Shares to Party B and as to 184,210,526 Consideration Shares to Independent Party C.

We understand from the Directors that the terms of the Acquisition Agreements are normal commercial terms and that the consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreements.

We consider that the determination of the amount of the consideration for the Acquisitions with reference to valuation made by an independent professional valuer (in this case the Valuer) as fair and reasonable as we believe that such valuation will more fairly reflect the current market value of the Property to be acquired.

(ii) The issue of new Shares

To evaluate the fairness and reasonableness of the discount of the Issue Price to the net assets value of the Group, we have made the following comparisons with certain comparable listed companies. We have identified twelve comparable companies. The principal activities of these companies include property investment and development in the PRC, which is similar to that of the Company.

The comparable companies have market capitalisations in the range approximately between HK\$35 million and HK\$1,800 million as at the Latest Practicable Date and adjusted net assets values (based on the latest published financial information) in the range approximately between HK\$218 million and HK\$17,870 million.

LETTER FROM FIRST SECURITIES

The table below illustrates the level of discount of the share price to the net assets value per share of each of the comparable companies and the Company with reference to latest available data from Bloomberg, annual reports and interim reports of the comparable companies.

Comparable listed companies in HK:	Closing share price HK\$	Market capitalisation on the Latest Practicable Date HK\$ million	Latest published net assets value per share HK\$	Latest published consolidated net assets value HK\$ million	Premium/ (Discount) of share price to net assets value per share %
1. Tian An China Investment Company Limited	0.120	1,019	0.50	4,219 <i>(note 1)</i>	(76.00)
2. Shanghai Land Holdings Limited	0.590	1,800	0.77	2,357 <i>(note 1)</i>	(23.38)
3. Grand Field Group Holdings Limited	0.037	64	0.13	226 <i>(note 2)</i>	(71.54)
4. China Fair Land Holdings Limited	0.310	91	0.74	218 <i>(note 1)</i>	(58.11)
5. Henderson China Holdings Limited	2.850	1,416	15.16	7,531 <i>(note 3)</i>	(81.20)
6. Emperor (China Concept) Investments Limited	0.760	84	2.18	240 <i>(note 2)</i>	(65.14)
7. Beijing North Star Company Limited	0.850	1,587	2.78	5,189 <i>(note 1)</i>	(69.42)
8. Shimao China Holdings Limited	0.420	346	0.45	370 <i>(note 1)</i>	(6.67)
9. New World China Land Limited	1.000	1,482	12.06	17,870 <i>(note 3)</i>	(91.71)
10. Zhong Hua International Holdings Limited	0.090	268	0.17	494 <i>(note 1)</i>	(47.06)
11. China Resources Land Limited	0.740	1,112	2.63	3,947 <i>(note 1)</i>	(71.86)
12. Nam Fong International Holdings Limited	0.026	35	0.27	363 <i>(note 4)</i>	(90.37)
Simple average of all the comparable companies					(62.71)
The Company	0.100 <i>(note 5)</i>		1.45	1,487 <i>(note 2)</i>	(93.11)

LETTER FROM FIRST SECURITIES

Notes:

1. Based on the relevant annual report for the year ended 31st December, 2002.
2. Based on the relevant interim report for the six months ended 30th September, 2002.
3. Based on the relevant interim report for the six months ended 31st December, 2002.
4. Based on the relevant interim report for the six months ended 30th June, 2002.
5. Issue Price.

Sources: Bloomberg, annual reports and interim reports of the comparable companies

It is noted from the table above that the shares of the comparable companies were traded at a discount to their net assets value of approximately 6.67% to 91.71%. At simple average, the discount of all the comparable companies is approximately 62.71%. From a further study into the corporate information of the comparable companies identified, it is noted that the figures of the companies numbered 2 and 8 above are affected by their recent corporate transactions and the company numbered 7 is a PRC state owned enterprise with A shares and H shares in issue. Therefore, we consider that the comparison will be more meaningful when these three companies are excluded. The average discount of the closing prices to the net assets value per share as at the Latest Practicable Date of the remaining nine comparable companies is approximately 72.55%, and the discount rates fall in the range between 47.06% and 91.71%. The discount of approximately 93.11% of the Issue Price to net assets value of the Company is close to the lower limit of discount rate of the comparable companies.

Furthermore, we have reviewed the share trading liquidity of the Company as follows.

The following diagram depicts the historical closing prices and the trading volume of the Company's Shares from 1st September, 2002 up to and including the Latest Practicable Date:



Source: Bloomberg

LETTER FROM FIRST SECURITIES

The following table sets out the trading volume of the Company's Shares for the period from 1st September, 2002 up to and including the Latest Practicable Date:

	Monthly trading volume <i>(Number of Shares)</i>	Percentage of monthly trading volume to total issued Shares <i>(Note 1)</i>	Percentage of monthly trading volume to public float of the Shares <i>(Note 2)</i>
2002			
September	1,820,000	0.18%	0.38%
October	2,680,000	0.26%	0.56%
November	990,000	0.10%	0.21%
December	3,230,000	0.32%	0.67%
2003			
January	2,420,000	0.24%	0.50%
February	1,770,000	0.17%	0.37%
March	8,080,000	0.79%	1.68%
April (up to and including the Latest Practicable Date)	17,174,500	1.68%	3.58%
From the date of the Announcement and up to and including the Latest Practicable Date	14,540,400	1.42%	3.03%

Notes:

1. Based on 1,024,000,000 Shares in issue.
2. Based on the public float of approximately 480,320,000 Shares

Source: Bloomberg

It is noted from the table above that the trading volume of the Company's Shares has been very low over the period as indicated above.

Based on the analysis as set out above, we noted that the discount of the Issue Price to the net assets value per Share of the Company is close to the range of that of comparable companies. Given the persistent low trading volume of the Company's Shares, it would be difficult for the Company to raise fund for its

LETTER FROM FIRST SECURITIES

business development through new issue of Shares. The payment terms for the Acquisitions in the form of the issue of the Consideration Shares will enable the Company to broaden its capital base under present circumstances.

Therefore, we are of the opinion that the issue of the Consideration Shares at Issue Price is fair and reasonable.

(iii) As stated in (i) above, the aggregate consideration is approximately 10 times of the 47.5% attributable interest in the book value of the Property. We consider that a straight comparison to the book value is not meaningful since the revaluation of property is not accounted for in the book of the Joint Venture Company at the time of the Acquisition. Taking into account of the revaluation of the Property made by the Valuer as at 31st March, 2003, the aggregate consideration represents a discount of approximately 24.81% to the 47.5% attributable interest of the Property, as stated in (i) above.

3. Dilution to Shareholders

The issue of the Consideration Shares will result in a dilution in the shareholdings of the existing Shareholders of about 49.41%.

Given the low trading volume of the Company's Shares as indicated above, it is likely that a larger discount in the issue price than the Issue Price will be required in the case of a placement of Shares by the Company to raise fund and hence a large dilution in the shareholdings of the existing Shareholders is inevitable.

4. Other areas for Shareholders' attention

We would like to draw Shareholders' attention to that the Acquisitions themselves involve certain level of commercial risks, including the following:

- (a) The Company may face intensified competition in resort business after PRC's accession to the World Trade Organisation. The outcome of the operating results of the Joint Venture Company is likely to be affected by a number of factors, including the overall economic situation of the PRC and the level of competition in the industry.
- (b) The resort real estate business will face the challenges of rapidly changing customer taste, evolving industry standards, and competitions from new theme parks and introduction of new leisure products.
- (c) The Joint Venture Company requires certain amount of fund for its development (estimated to be RMB90 million and RMB226 million for the first and second phases of development respectively). The development progress and business of the Joint Venture Company will be dependent upon the ability of the joint venture partners, including the Company, to

LETTER FROM FIRST SECURITIES

make their share of investment contribution in accordance with the joint venture agreement and the ability of Joint Venture Company to generate positive cash flow for its operations.

The Directors confirmed that they are aware of the commercial risks involved and the funding requirements for the business of the Joint Venture Company. They will monitor the operations of the Joint Venture Company as appropriate.

Conditions of the Acquisition Agreements

Completion of the Acquisition Agreements are conditional upon, amongst other things:

1. the Independent Shareholders passing at the SGM the necessary resolutions approving the Acquisitions and the allotment and issue of the Consideration Shares to each of the Vendors, credited as fully paid;
2. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
3. the Company having received the valuation certificate issued by the Valuer confirming the valuation of the Property being not less than HK\$280,000,000 as at 31st March, 2003;
4. the Shareholders at the SGM passing an ordinary resolution to approve the increase in the authorised share capital of the Company from HK\$150,000,000 to HK\$300,000,000;
5. the Bermuda Monetary Authority granting permission for the allotment and issue of the Consideration Shares;
6. the Company being satisfied with the results of the due diligence review to be conducted on Unicorn Power Limited, Carry Investment Limited, China Max Development Limited and the Joint Venture Company;
7. the Company having received a legal opinion covering such matters of the PRC laws by a firm of lawyers acceptable to the Company relevant to the transactions contemplated by the Acquisitions in such form and substance to the absolute satisfaction of the Company;
8. all necessary consents, authorisation, licences and approvals for or in connection with the Acquisitions having been obtained;
9. there being no matter adversely affecting the legal standing or continued existence of the Joint Venture Company or the ability of the Joint Venture Company to continue to carry on its ordinary business; and
10. each of the Unicorn Agreement, Carry Agreement and China Max Agreement having become unconditional.

LETTER FROM FIRST SECURITIES

Pro forma financial effects

Earnings

We understand that the Company will adopt the equity accounting method for accounting its 47.5% attributable interest in the Joint Venture Company as from the date of Completion. It is anticipated that in the short term, the Joint Venture Company will be at its business development stage and its earning contribution to the Group will not be significant. However, with the huge size of the land area held by the Joint Venture Company and the development potential in the business of the Joint Venture Company, and based on the cash flow projection of the Joint Venture Company prepared by the Joint Venture Company and the Company, we concur with the view of the Directors that the Acquisitions would have a positive impact on the Group's overall earnings in the medium and long terms.

Notwithstanding the significant investment in the Joint Venture Company by the Company, the Company shall have no absolute control over the Joint Venture Company. The control over the Joint Venture Company will effectively rest with the controlling shareholder of the Company. The Directors believe that the controlling shareholders of the Company will act in the interests of the joint venture partners, including the Company, as it has a substantial interest (interested in about 50.78% of the issued share capital of the Company upon the Completion) in the Company.

Net assets value

The following table illustrated the unaudited pro-forma adjusted consolidated net assets value of the Group before and after the Acquisitions:

	<i>Approximately HK\$ million</i>
Audited consolidated net assets value as at 31st March, 2002	1,475.1
<i>Add:</i> Unaudited interim results for the six months ended 30th September, 2002	<u>11.5</u>
Unaudited pro-forma adjusted consolidated net assets value before the Acquisitions	1,486.6
Effect of the Acquisitions (<i>note below</i>)	
– Consideration for the Acquisitions	100
– Excess of the share of net assets value of the Joint Venture Company by the Group upon the Completion over the amount of consideration paid for the Acquisitions	<u>34.4</u>
	<u>134.4</u>
Unaudited pro-forma adjusted consolidated net assets value after the Acquisitions	<u><u>1,621.0</u></u>
Unaudited pro-forma adjusted consolidated net assets value per Share before the Acquisitions (Based on 1,024,000,000 Shares)	<u>1.45</u>
Unaudited pro-forma adjusted consolidated net assets value per Share after the Acquisitions (Based on 2,024,000,000 Shares)	<u><u>0.80</u></u>

LETTER FROM FIRST SECURITIES

Note: According to the Acquisition Agreements, the aggregate amount of the Carry Shares and Carry Shareholders' Loan, China Max Shares and China Max Shareholders' Loan and Unicorn Shares and Unicorn Shareholders' Loan to be acquired by the Group was approximately HK\$11,238,000. After the Acquisitions, the share of the net assets value by the Group of the Joint Venture Company will be increased by approximately HK\$123,144,000 as a result of the revaluation of the Property at HK\$280,000,000. For the purpose of compiling the unaudited pro forma statement of assets and liabilities of the enlarged group, the share of the net assets value by the Group under the Acquisitions of the Joint Venture Company including the share of the revaluation surplus of HK\$123,144,000, amounted to approximately HK\$134,382,000. The total consideration to be paid by the Company for the Acquisitions is HK\$100,000,000. In accordance with the Group's accounting policy, the interest in the Joint Venture Company will be accounted for by the Group on the basis of equity method of accounting after the Acquisitions. The excess of the share of the net assets value of the Joint Venture Company over the consideration paid of approximately HK\$34,382,000 arising from the Acquisitions will be incorporated in the consolidated accounts of the Group under the revaluation reserve attributable to jointly controlled entities.

Upon the Completion and on the above calculation basis, the unaudited pro-forma adjusted consolidated net assets value of the Group will be increased by approximately HK\$134.4 million to approximately HK\$1,621.0 million, representing an increase of approximately 8.9% in the net assets value as compared to that before the Acquisitions. On the other hand, the unaudited pro-forma adjusted consolidated net assets value per Share will decrease by about 45% from approximately HK\$1.45 to approximately HK\$0.80 following the Completion of the Acquisitions.

Based on the analysis of the Company's Shares trading performance as set out in the foregoing paragraph in terms of the share price and trading volume, a large discount on net assets value per Share would also be required if the Company wish to raise fund through a placement of Shares and hence a dilution in the net assets value per Share would be inevitable in such a case.

Working capital

Since the Acquisitions will be settled by the issue of the Consideration Shares, the Acquisitions will not have an immediate impact on the cash flow of the Group.

Upon the Completion, the net debt to equity ratio, which is expressed as a percentage of the non-current liabilities over the net assets, of the Group will decrease from approximately 22.3% to approximately 20.5%, based on the latest published unaudited consolidated balance sheet as at 30th September, 2002. The total debt to equity ratio, which is expressed as a percentage of the total liabilities over net assets, of the Group will decrease from approximately 73.8% to approximately 67.7%.

According to the unaudited financial information provided by the Company, the Group has had cash and bank balances of about HK\$76.7 million as at 30th September, 2002. Based on a cash flow projection of the Group prepared by the Company, the Directors confirmed that the Group has the sufficient financial resources to finance its investment obligation in the Joint Venture Company after the Acquisitions. The maximum contribution for the investment to the Joint Venture Company by the Company after the Acquisitions will be approximately

LETTER FROM FIRST SECURITIES

HK\$102 million payable by stages with respect to the development progress of the development project of the Joint Venture Company with the last payment to be made by the end of 2005. On this basis, we concur with the Directors' view that the Acquisitions will not exert undue pressure, barring unforeseen circumstances, on the working capital of the Group.

CONCLUSION AND RECOMMENDATION

Despite the fact that the Acquisitions will inevitably involve certain level of commercial risks as mentioned in the "Other areas for Shareholders' attention" paragraph above, we, after taking into consideration of the above factors and reasons, in particular that:

- (i) the Acquisitions have been entered into on normal commercial terms;
- (ii) the consideration payable by the Company under the Acquisitions was arrived at after arm's length negotiations;
- (iii) the reasons for the Acquisitions as set out in the "Reasons for the Acquisitions" section above;
- (iv) the basis and the form of the consideration as stated in the "Consideration" section above,

consider that the terms of the conditional Acquisition Agreements are fair and reasonable so far as the interest of the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote at the SGM in favour of the resolution relating to the conditional Acquisition Agreements.

Yours faithfully,
For and on behalf of
First Securities (HK) Limited
Stanley Lai **Sam Lum**
Executive Director *Associate Director*



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

The Directors
Unicorn Power Limited
Coastal Realty Group Limited

13th May, 2003

Dear Sirs,

We set out below our report on the financial information regarding Unicorn Power Limited (the “Company”) for the period from 3rd January, 2000 (date of incorporation) to 31st March, 2001, the year ended 31st March, 2002 and the period from 1st April, 2002 to 31st January, 2003, for inclusion in the circular issued by Coastal Realty Group Limited (“Coastal”) dated 13th May, 2003 (the “Circular”) in connection with the acquisition by Coastal of Tangshan New Island Tourism Development Co., Ltd. (“Tangshan New Island”) by means of acquiring, inter alia, the Company.

The Company was incorporated in Hong Kong under the Companies Ordinance on 3rd January, 2000. The Company is a private limited company and is principally engaged in the business of investment holding. The Company has not carried out any business activities since its incorporation, other than holding an investment of 50% equity interest in Tangshan New Island.

We have audited the accounts of the Company for the period from 3rd January, 2000 (date of incorporation) to 31st March, 2001 and the year ended 31st March, 2002. No audited accounts have been prepared for the periods from 1st April, 2001 to 31st January, 2002 and from 1st April, 2002 to 31st January, 2003. However, we have carried out an independent audit in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of the Company for the periods from 1st April, 2001 to 31st January, 2002 and from 1st April, 2002 to 31st January, 2003.

For the purpose of this report, we have examined the audited accounts of the Company for the period from 3rd January, 2000 (date of incorporation) to 31st March, 2001, the year ended 31st March, 2002 and the management accounts of the Company for the periods from 1st April, 2001 to 31st January, 2002 and from 1st April, 2002 to 31st January, 2003 (the “Relevant Periods”), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” issued by the Hong Kong Society of Accountants.

The financial information of the Company for the Relevant Periods set out in Section I to III below (“Financial Information”) has been prepared based on the audited accounts or unaudited management accounts of the Company. No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods.

The directors of the Company are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the cash flows of the Company for the period from 3rd January, 2000 (date of incorporation) to 31st March, 2001, year ended 31st March, 2002 and the periods from 1st April, 2001 to 31st January, 2002 and from 1st April, 2002 to 31st January, 2003, and of the state of affairs of the Company as at 31st March, 2001, 31st March, 2002 and 31st January, 2003.

I. FINANCIAL INFORMATION

Balance Sheets

		As at		As at
		31st March,		31st January,
		2001	2002	2003
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current asset				
Interest in a jointly controlled entity	5	—	—	11,828,959
Current asset				
Cash in hand		2	10	10
		<u>2</u>	<u>10</u>	<u>11,828,969</u>
Represented by:				
Share capital	6	2	10	10
Advance from immediate holding company	7	—	—	11,828,959
		<u>2</u>	<u>10</u>	<u>11,828,969</u>

Statements of Changes in Equity

	Period from 3rd January, 2000 (date of incorporation) to 31st March, 2001 HK\$	Year ended 31st March, 2002 HK\$	Period from 1st April, 2001 to 31st January, 2002 HK\$	Period from 1st April, 2002 to 31st January, 2003 HK\$
At the beginning of the period	–	2	2	2
Issue of shares	2	8	–	8
	<u>2</u>	<u>8</u>	<u>–</u>	<u>8</u>
At the end of the period	<u>2</u>	<u>10</u>	<u>2</u>	<u>10</u>

Cash flow statements

	Period from 3rd January, 2000 (date of incorporation) to 31st March, 2001 HK\$	Year ended 31st March, 2002 HK\$	Period from 1st April, 2001 to 31st January, 2002 HK\$	Period from 1st April, 2002 to 31st January, 2003 HK\$
Cash flows used in investing activities				
Investment in a jointly controlled entity	–	–	–	(11,828,959)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(11,828,959)</u>
Cash flows from financing activities				
Advance from immediate holding company	–	–	–	11,828,959
Issue of shares	2	8	–	–
	<u>2</u>	<u>8</u>	<u>–</u>	<u>–</u>
Net cash from financing activities	<u>2</u>	<u>8</u>	<u>–</u>	<u>11,828,959</u>
Increase in cash in hand	2	8	–	–
Cash and cash equivalent at beginning of the period	–	2	2	10
	<u>–</u>	<u>2</u>	<u>2</u>	<u>10</u>
Cash and cash equivalent at end of the period	<u>–</u>	<u>10</u>	<u>2</u>	<u>10</u>

Notes to the Financial Information**1. Principal accounting policies**

The financial information set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods. Audit fee of HK\$1,500 for each of the period/year ended 31st March, 2001 and 2002 were borne by a shareholder.

(a) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The investment in jointly controlled entity is stated at cost less provision for impairment losses. The result of jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

(b) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

2. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Company had no assessable profit for the Relevant Periods.

The Company did not have any significant unprovided deferred tax as at 31st March, 2001, 31st March, 2002 and 31st January, 2003.

3. Dividends

No dividends have been declared by the Company during the Relevant Periods.

4. Directors' emoluments

None of the directors of the Company received or will receive any fees or emoluments in respect of their services to the Company during the Relevant Periods.

5. Jointly controlled entity

	As at 31st March,		As at 31st January,
	2001 HK\$	2002 HK\$	2003 HK\$
Unlisted investment at cost	–	–	6,885,300
Loan to a jointly controlled entity (<i>note (b)</i>)	–	–	4,943,659
	<u>–</u>	<u>–</u>	<u>11,829,959</u>

(a) Particulars of the jointly controlled entity are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Percentage of interests in ownership/ voting power/ profit sharing
Tangshan New Island Tourism Development Co., Ltd.	The People's Republic of China (the "PRC")	Development of tourist resort in the PRC	50/40/50

- (b) Loan to a jointly controlled entity is unsecured, non-interest bearing and has no fixed repayment terms.
- (c) Financial information of the jointly controlled entity was disclosed in Tangshan New Island's accountants' report included in the Circular.
- (d) On the basis of equity method of accounting, the share of net assets of the jointly controlled entity by the Company was approximately HK\$6,885,300 as at 31st January, 2003. The Company's share of capital commitment of the jointly controlled entity in respect of a resort development project amounted to approximately HK\$106 million as at 31st January, 2003.

6. Share capital

	Authorised		Issued and fully paid	
	Number of Shares	HK\$	Number of Shares	HK\$
Ordinary shares of HK\$1 each:				
On incorporation and balance at 31st March, 2001	<u>10,000</u>	<u>10,000</u>	<u>2</u>	<u>2</u>
Issued of shares			<u>8</u>	<u>8</u>
Balance at 31st March, 2002 and 31st January, 2003	<u>10,000</u>	<u>10,000</u>	<u>10</u>	<u>10</u>

The Company was incorporated with an authorised share capital of HK\$10,000. At the time of incorporation, 2 shares of HK\$1 each were issued, for cash at par, to the subscribers to provide the initial share capital of the Company. On 8th February, 2002, 8 shares of HK\$1 each were issued at par for cash.

7. Advance from immediate holding company

The amount is unsecured, non-interest bearing and would not be demanded for repayment within one year from the balance sheet date.

8. Segmental information

The Company is principally engaged in investment holding. All the Company's identifiable assets are located in the PRC and liabilities are located in Hong Kong.

9. Financial commitment

As at 31st March, 2001, 31st March, 2002 and 31st January, 2003, the Company has financial commitment in respect of investment contribution including unpaid registered capital to Tangshan New Island amounted to HK\$Nil, HK\$114,755,000 (US\$14,750,000) and HK\$107,869,700 (US\$13,865,000) respectively.

10. Ultimate holding company

The directors of the Company regard Coastal International Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

II. SUBSEQUENT EVENTS

No significant events took place subsequent to 31st January, 2003.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited accounts have been prepared by the Company in respect of any period subsequent to 31st January, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

The Directors
Carry Investment Limited
Coastal Realty Group Limited

13th May, 2003

Dear Sirs,

We set out below our report on the financial information regarding Carry Investment Limited (the “Company”) for the period from 17th October, 2001 (date of incorporation) to 31st March, 2002 and the period from 1st April, 2002 to 31st January, 2003, for inclusion in the circular issued by Coastal Realty Group Limited (“Coastal”) dated 13th May, 2003 (the “Circular”) in connection with the acquisition by Coastal of Tangshan New Island Tourism Development Co., Ltd. (“Tangshan New Island”) by means of acquiring, inter alia, the Company.

The Company was incorporated in Hong Kong under the Companies Ordinance on 17th October, 2001. The Company is a private limited company and is principally engaged in the business of investment holding. The Company has not carried out any business activities since its incorporation, other than holding an investment of 20% equity interest in Tangshan New Island.

No audited accounts have been prepared since its incorporation. The Company has adopted 31st March as its financial year end date.

The financial information of the Company for the period from 17th October, 2001 (date of incorporation) to 31st March, 2002, and the periods from 17th October, 2001 (date of incorporation) to 31st January, 2002 and from 1st April, 2002 to 31st January, 2003 (the “Relevant Periods”) set out in Section I to III below (“Financial Information”) has been prepared based on the management accounts of the Company. No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods. For the purpose of this report, we have carried out an independent audit in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of the Company for the Relevant Periods, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” issued by the Hong Kong Society of Accountants.

The directors of the Company are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the cash flows of the Company for the period from 17th October, 2001 (date of incorporation) to 31st March, 2002, the period from 17th October, 2001 (date of incorporation) to 31st January, 2002 and the period from 1st April, 2002 to 31st January, 2003, and of the state of affairs of the Company as at 31st March, 2002 and 31st January, 2003.

I. FINANCIAL INFORMATION

Balance Sheets

	<i>Notes</i>	As at 31st March, 2002 <i>HK\$</i>	As at 31st January, 2003 <i>HK\$</i>
Non-current asset			
Interest in a jointly controlled entity	5	—	4,731,584
Current asset			
Cash in hand		2	100
		<u>2</u>	<u>4,731,684</u>
Represented by:			
Share capital	6	2	100
Advance from immediate holding company	7	—	3,075,530
Advance from a shareholder	7	—	1,656,054
		<u>2</u>	<u>4,731,684</u>

Statements of Changes in Equity

	Period from 17th October, 2001 (date of incorporation) to 31st March, 2002 HK\$	Period from 17th October, 2001 (date of incorporation) to 31st January, 2002 HK\$	Period from 1st April, 2002 to 31st January, 2003 HK\$
At the beginning of the period	–	–	2
Issue of shares	2	2	98
	<u>2</u>	<u>2</u>	<u>100</u>
At the end of the period	<u>2</u>	<u>2</u>	<u>100</u>

Cash flow statements

	Period from 17th October, 2001 (date of incorporation) to 31st March, 2002 HK\$	Period from 17th October, 2001 (date of incorporation) to 31st January, 2002 HK\$	Period from 1st April, 2002 to 31st January, 2003 HK\$
Cash flows used in investing activities			
Investment in a jointly controlled entity	–	–	(4,731,584)
Cash flows from financing activities			
Advance from immediate holding company	–	–	3,075,530
Advance from a shareholder	–	–	1,656,054
Issue of shares	2	2	98
	<u>2</u>	<u>2</u>	<u>4,731,682</u>
Net cash from financing activities	<u>2</u>	<u>2</u>	<u>4,731,682</u>
Increase in cash in hand	2	2	98
Cash and cash equivalent at beginning of period	–	–	2
	<u>2</u>	<u>2</u>	<u>100</u>
Cash and cash equivalent at end of period	<u>2</u>	<u>2</u>	<u>100</u>

Notes to the Financial Information**1. Principal accounting policies**

The financial information set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods.

(a) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The investment in jointly controlled entity is stated at cost less provision for impairment losses. The result of jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

(b) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

2. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Company had no assessable profit for the Relevant Periods.

The Company did not have any significant unprovided deferred tax as at 31st March, 2002 and 31st January, 2003.

3. Dividends

No dividends have been declared by the Company during the Relevant Periods.

4. Directors' emoluments

None of the directors of the Company received or will receive any fees or emoluments in respect of their services to the Company during the Relevant Periods.

5. Jointly controlled entity

	As at 31st March, 2002 HK\$	As at 31st January, 2003 HK\$
Unlisted investment at cost	–	2,754,120
Loan to a jointly controlled entity (<i>note (b)</i>)	–	1,977,464
	<u>–</u>	<u>4,731,584</u>

(a) Particulars of the jointly controlled entity are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Percentage of interests in ownership/ voting power/ profit sharing
Tangshan New Island Tourism Development Co., Ltd.	The People's Republic of China (the "PRC")	Development of tourist resort in the PRC	20/20/20

(b) The loan to a jointly controlled entity is unsecured, non-interest bearing and has no fixed repayment terms.

(c) Financial information of the jointly controlled entity was disclosed in Tangshan New Island's accountants' report included in the Circular.

(d) On the basis of equity method of accounting, the share of net assets of the jointly controlled entity by the Company was approximately HK\$2,754,120 as at 31st January, 2003. The Company's share of capital commitment of the jointly controlled entity in respect of a resort development project amounted to approximately HK\$42 million as at 31st January, 2003.

6. Share capital

	Authorised		Issued and fully paid	
	<i>Number of Shares</i>	<i>HK\$</i>	<i>Number of Shares</i>	<i>HK\$</i>
Ordinary shares of HK\$1 each on incorporation and balance at 31st March, 2002	<u>10,000</u>	<u>10,000</u>	<u>2</u>	<u>2</u>
Issued of shares			<u>98</u>	<u>98</u>
Balance at 31st January, 2003	<u>10,000</u>	<u>10,000</u>	<u>100</u>	<u>100</u>

The Company was incorporated with an authorised share capital of HK\$10,000. At the time of incorporation, 2 shares of HK\$1 each were issued, for cash at par, to the subscribers to provide the initial share capital of the Company. On 10th December, 2002, 98 shares of HK\$1 each were issued at par for cash.

7. Advances from immediate holding company and a shareholder

The amounts are unsecured, non-interest bearing and would not be demanded for repayment within one year from the balance sheet date.

8. Segmental information

The Company is principally engaged in investment holding. All the Company's identifiable assets are located in the PRC and liabilities are located in Hong Kong.

9. Financial commitment

As at 31st March, 2002 and 31st January, 2003, the Company has financial commitment in respect of investment contribution including unpaid registered capital in Tangshan New Island amounted to HK\$Nil, and HK\$43,147,880 (US\$5,546,000) respectively.

10. Ultimate holding company

The directors of the Company regard Coastal International Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

II. SUBSEQUENT EVENTS

No significant events took place subsequent to 31st January, 2003.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited accounts have been prepared by the Company in respect of any period subsequent to 31st January, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

The Directors
China Max Development Limited
Coastal Realty Group Limited

13th May, 2003

Dear Sirs,

We set out below our report on the financial information regarding China Max Development Limited (the “Company”) for the period from 8th May, 2002 (date of incorporation) to 31st January, 2003, for inclusion in the circular issued by Coastal Realty Group Limited (“Coastal”) dated 13th May, 2003 (the “Circular”) in connection with the acquisition by Coastal of Tangshan New Island Tourism Development Co., Ltd. (“Tangshan New Island”) by means of acquiring, inter alia, the Company.

The Company was incorporated in Hong Kong under the Companies Ordinance on 8th May, 2002. The Company is a private limited company and is principally engaged in the business of investment holding. The Company has not carried out any business activities since its incorporation, other than holding an investment of 25% equity interest in Tangshan New Island.

No audited accounts have been prepared since its incorporation. The Company has adopted 31st March as its financial year end date.

The financial information of the Company for the period from 8th May, 2002 (date of incorporation) to 31st March, 2003 (the “Relevant Period”) set out in Sections I to III below (“Financial Information”) has been prepared based on the management accounts of the Company. No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Period. For the purpose of this report, we have carried out an independent audit in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of the Company for the Relevant Period, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” issued by the Hong Kong Society of Accountants.

The directors of the Company are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the cash flows of the Company for the period from 8th May, 2002 (date of incorporation) to 31st January, 2003 and of the state of affairs of the Company as at 31st January, 2003.

I. FINANCIAL INFORMATION**Balance Sheet**

	<i>Notes</i>	As at 31st January, 2003 <i>HK\$</i>
Non-current asset		
Interest in a jointly controlled entity	5	5,914,479
Current asset		
Cash in hand		100
		<u>5,914,579</u>
Represented by:		
Share capital	6	100
Advances from shareholders	7	5,914,479
		<u>5,914,579</u>

Statement of Changes in Equity

	Period from 8th May, 2002 (date of incorporation) to 31st January, 2003 <i>HK\$</i>
Issue of shares upon incorporation and at the end of the period	<u>100</u>

Cash flow statement

	Period from 8th May, 2002 (date of incorporation) to 31st January, 2003 HK\$
Cash flows used in investing activities	
Investment in a jointly controlled entity	(5,914,479)
Cash flows from financing activities	
Advances from shareholders	5,914,479
Issue of shares	100
Net cash from financing activities	5,914,579
Increase in cash in hand and at end of the period	<u>100</u>

Notes to the Financial Information**1. Principal accounting policies**

The financial information set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Period.

(a) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The investment in jointly controlled entity is stated at cost less provision for impairment losses. The result of jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

(b) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

2. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Company had no assessable profit for the Relevant Period.

The Company did not have any significant unprovided deferred tax as at 31st January, 2003.

3. Dividends

No dividends have been declared by the Company during the Relevant Period.

4. Directors' emoluments

None of the directors of the Company received or will receive any fees or emoluments in respect of their services to the Company during the Relevant Period.

5. Jointly controlled entity

	As at 31st January, 2003 <i>HK\$</i>
Unlisted investment at cost	3,442,650
Loan to a jointly controlled entity (<i>note (b)</i>)	2,471,829
	<u>5,914,479</u>

(a) Particulars of the jointly controlled entity are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Percentage of interests in ownership/ voting power/ profit sharing
Tangshan New Island Tourism Development Co., Ltd.	The People's Republic of China (the "PRC")	Development of tourist resort in the PRC	25/20/25

- (b) Loan to a jointly controlled entity is unsecured, non-interest bearing and has no fixed repayment terms.
- (c) Financial information of the jointly controlled entity was disclosed in Tangshan New Island's accountants' report included in the Circular.
- (d) On the basis of equity method of accounting, the share of net assets of the jointly controlled entity by the Company was approximately HK\$3,442,650 as at 31st January, 2003. The Company's share of capital commitment of the jointly controlled entity in respect of a resort development project amounted to approximately HK\$53 million as at 31st January, 2003.

6. Share capital

	Authorised		Issued and fully paid	
	<i>Number of Shares</i>	<i>HK\$</i>	<i>Number of Shares</i>	<i>HK\$</i>
Ordinary shares of HK\$1 each – as at 31st January, 2003	<u>10,000</u>	<u>10,000</u>	<u>100</u>	<u>100</u>

The Company was incorporated with an authorised share capital of HK\$10,000. At the time of incorporation, 2 shares of HK\$1 each were issued, for cash at par, to the subscribers to provide the initial share capital of the Company. On 29th November, 2002, 98 shares of HK\$1 each were issued at par for cash.

7. Advances from shareholders

The amounts are unsecured, non-interest bearing and would not be demanded for repayment within one year from the balance sheet date.

8. Segmental information

The Company is principally engaged in investment holding. All the Company's identifiable assets are located in the PRC and liabilities are located in Hong Kong.

9. Financial commitment

As at 31st January, 2003, the Company has financial commitment in respect of investment contribution including unpaid registered capital to Tangshan New Island amounted to HK\$53,934,850 (US\$6,932,500).

II. SUBSEQUENT EVENTS

No significant events took place subsequent to 31st January, 2003.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited accounts have been prepared by the Company in respect of any period subsequent to 31st January, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

The Directors
Tangshan New Island Tourism Development Co., Ltd.
Coastal Realty Group Limited

13th May, 2003

Dear Sirs,

We set out below our report on the financial information regarding Tangshan New Island Tourism Development Co., Ltd. (the "Company") for the period from 4th December, 2001 (date of establishment) to 31st December, 2002 and the period from 1st to 31st January, 2003, for inclusion in the circular issued by Coastal Realty Group Limited ("Coastal") dated 13th May, 2003 (the "Circular") in connection with the acquisition by Coastal of the Company.

The Company was established in the People's Republic of China (the "PRC") on 4th December, 2001 as a Sino-foreign joint venture company with limited liabilities. The Company is principally engaged in the development of tourist resort with ancillary real estate in the PRC.

No audited accounts have been prepared since its establishment as the initial capital injection from its investors was made on 16th November, 2002. The Company has adopted 31st December, as its financial year end date.

For the purpose of this report, we have carried out an independent audit in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of the Company for the period from 4th December, 2001 (date of establishment) to 31st December, 2002 and the period from 1st to 31st January, 2003 (the "Relevant Periods"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants in order to restate the financial information to comply with generally accepted accounting principles in Hong Kong.

The financial information of the Company for the Relevant Periods set out in section I to III below ("Financial Information") has been prepared based on the management accounts of the Company, after making such adjustments as are appropriate. No income statement of the Company has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods.

The directors of the Company are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the cash flows of the Company for the period from 4th December, 2001 (date of establishment) to 31st December, 2002 and for the period from 1st to 31st January, 2003, and of the state of affairs of the Company as at 31st December, 2002 and 31st January, 2003.

I. FINANCIAL INFORMATION

Balance Sheets

	<i>Notes</i>	As at 31st December, 2002 RMB	As at 31st January, 2003 RMB
Non-current assets			
Fixed assets	5	686,996	674,576
Development project under construction	6	<u>18,750,802</u>	<u>21,787,771</u>
		<u>19,437,798</u>	<u>22,462,347</u>
Current assets			
Other receivables		74,778	148,028
Cash and bank balances		<u>105,363</u>	<u>323,396</u>
		<u>180,141</u>	<u>471,424</u>
Current liabilities			
Accruals and other payable		<u>226,949</u>	<u>258,616</u>
Net current (liabilities)/assets		<u>(46,808)</u>	<u>212,808</u>
		<u>19,390,990</u>	<u>22,675,155</u>
Represented by:			
Paid in capital	7	7,314,260	13,896,695
Advances from investors	8	<u>12,076,730</u>	<u>8,778,460</u>
		<u>19,390,990</u>	<u>22,675,155</u>

Statements of Changes in Equity

	For the period from 4th December, 2001 (date of establishment) to 31st December, 2002 RMB	For the period from 1st to 31st January, 2003 RMB
At the beginning of the period	–	7,314,260
Paid in registered capital	7,314,260	6,582,435
	<u>7,314,260</u>	<u>6,582,435</u>
At the end of the period	<u>7,314,260</u>	<u>13,896,695</u>

Cash flow statements

	Period from 4th December, 2001 (date of establishment) to 31st December, 2002 HK\$	For the period from 1st to 31st January, 2003 HK\$
Cash flows used in investing activities		
Increase in development project under construction and related receivables	(18,732,934)	(3,097,799)
Additions of fixed assets	(779,642)	–
Increase in accruals and other payable	226,949	31,667
	<u>(19,285,627)</u>	<u>(3,066,132)</u>
Cash flows from financing activities		
Advances from investors	12,076,730	(3,298,270)
Paid in capital	7,314,260	6,582,435
	<u>19,390,990</u>	<u>3,284,165</u>
Net cash from financing activities	<u>19,390,990</u>	<u>3,284,165</u>
Increase in cash in hand	105,363	218,033
Cash and cash equivalent at beginning of the period	–	105,363
	<u>105,363</u>	<u>105,363</u>
Cash and cash equivalent at end of the period	<u>105,363</u>	<u>323,396</u>

Notes to the Financial Information

1. Principal accounting policies

The financial information set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

No income statement has been prepared as there were no profit nor loss incurred by the Company during the Relevant Periods. No transactions were carried out by the Company for the period from 1st to 31st January, 2002, and accordingly, no comparative financial information of statement of changes in equity and cash flow statement for that period were presented.

(a) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of assets over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Office equipment	20%
Motor vehicles	20%

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and is recognised in the profit and loss accounts.

(b) Development project under construction

Development project under construction are investments in land and buildings on which construction work has not been completed. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to different assets for its intended use.

(c) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(d) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

2. Taxation

No provision for PRC income tax has been made in the accounts as the Company had no assessable profit for the Relevant Periods.

The Company did not have any significant unprovided deferred tax as at 31st December, 2002 and 31st January, 2003.

3. Dividends

No dividends have been declared by the Company during the Relevant Periods.

4. Directors' emoluments and management's emoluments

- (a) The aggregate amounts of emoluments payable to directors of the company during the Relevant Periods were as follows:

	For the period from 4th December, 2001 (date of establishment) to 31st December, 2002 RMB	For the period from 1st to 31st January, 2003 RMB
Basic salaries and allowance	<u>40,700</u>	<u>3,000</u>
The emoluments of the director fell within the following band:		
RMB nil to RMB1,000,000	<u>1</u>	<u>1</u>

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the Relevant Periods include one (2002: one) directors whose emoluments reflected in the analysis presented above. The emoluments payable to the remaining four (2002: four) individuals during the Relevant Periods were as follows:

	For the period from 4th December, 2001 (date of establishment) to 31st December, 2002 RMB	For the period from 1st to 31st January, 2003 RMB
Basic salaries and allowance	<u>89,200</u>	<u>9,000</u>
The emoluments fell within the following band:		
RMB nil to RMB1,000,000	<u>4</u>	<u>4</u>

The emoluments paid to the director and individuals for services provided in connection with the development of the tourist resort project. The amounts were capitalised and included in the development project under construction.

5. Fixed assets

	Leasehold improvements <i>RMB</i>	Office equipment <i>RMB</i>	Motor vehicles <i>RMB</i>	Total <i>RMB</i>
Cost				
Addition during the period and as at 31st December, 2002	435,203	159,882	184,557	779,642
Accumulated depreciation				
Charge for the period and as at 31st December, 2002	(58,027)	(13,087)	(21,532)	(92,646)
Net book value				
As at 31st December, 2002	<u>377,176</u>	<u>146,795</u>	<u>163,025</u>	<u>686,996</u>
	Leasehold improvements <i>RMB</i>	Office equipment <i>RMB</i>	Motor vehicles <i>RMB</i>	Total <i>RMB</i>
Cost				
As at 1st and 31st January, 2003	435,203	159,882	184,557	779,642
Accumulated depreciation				
As at 1st January, 2003	(58,207)	(13,087)	(21,532)	(92,646)
Charge for the period	(7,072)	(2,399)	(2,769)	(12,420)
As at 31st January, 2003	(65,279)	(15,486)	(24,301)	(105,066)
Net book value				
As at 31st January, 2003	<u>369,924</u>	<u>144,396</u>	<u>160,256</u>	<u>674,576</u>

6. Development project under construction

	As at 31st December, 2002 <i>RMB</i>	As at 31st January, 2003 <i>RMB</i>
At the beginning of the period	–	18,750,802
Additions	18,750,802	3,036,969
At the end of the period	<u>18,750,802</u>	<u>21,787,771</u>

The additions during the period comprise land use right, construction costs incurred and other direct costs related to the project. As at 31st January, 2003, the balance included depreciation charge of RMB12,420 (2002: RMB92,646) and staff costs of RMB19,494 (2002: RMB222,789) capitalised during the period.

7. Paid up registered capital

Pursuant to a joint venture agreement entered into by investors, the total paid up registered capital of the Company was US\$11,800,000 (equivalent to approximately RMB97,520,000), to be fully paid up in 2005. As at 31st January, 2003, total amount of US\$1,681,500, equivalent to RMB13,896,695 capital were paid up by investors.

8. Advances from investors

The advances from investors are unsecured, non-interest bearing and would not be demanded for repayment within one year from the balance sheet date.

9. Segmental information

The Company is principally engaged in the development of tourist resort with ancillary real estate in the PRC. All the identifiable assets and liabilities of the Company are located in the PRC.

10. Capital commitment

The Company has a commitment to invest a total sum of US\$29,500,000 equivalent to approximately RMB243,793,900 into a resort development project in the PRC ("Development Project"). In this connection, the Company has the following outstanding capital commitment related to the Development Project:

	As at	As at 31st January,	
	31st December,	2002	2003
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Contracted but not provided for	225,043,098	–	222,006,129

II. SUBSEQUENT EVENTS

No significant events took place subsequent to 31st January, 2003.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited accounts have been prepared by the Company in respect of any period subsequent to 31st January, 2003.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

Set out below is a summary of the audited consolidated profit and loss accounts for each of the three years ended 31st March, 2002 and the consolidated balance sheets as at 31st March, 2001 and 2002 of the Group together with the relevant notes to the financial statements as extracted from the audited financial statements of the Company for the years ended 31st March, 2001 and 2002.

Results

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
TURNOVER	<u>201,996</u>	<u>335,562</u>	<u>369,665</u>
OPERATING PROFIT/(LOSS)	(473,859)	(65,610)	52,398
Finance costs	(17,900)	(27,094)	(34,239)
Share of losses of joint-controlled entities	<u>(2,362)</u>	<u>(33)</u>	<u>(366)</u>
PROFIT/(LOSS) BEFORE TAXATION	(494,121)	(92,737)	17,793
Taxation	<u>(5,345)</u>	<u>1,471</u>	<u>(1,630)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(499,466)	(91,266)	16,163
Minority interests	<u>(41)</u>	<u>(2,062)</u>	<u>(5,784)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>(499,507)</u>	<u>(93,328)</u>	<u>10,379</u>
EARNINGS/(LOSS) PER SHARE	<u>(49.76 cents)</u>	<u>(14.12 cents)</u>	<u>1.57 cents</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	5	201,996	355,562
Cost of sales		<u>(226,730)</u>	<u>(352,807)</u>
Gross profit		(24,734)	2,755
Other revenue and gains		14,701	3,257
Marketing and selling costs		(300)	(4,627)
Administrative expenses		(25,443)	(31,042)
Other operating expenses, net		<u>(438,083)</u>	<u>(35,953)</u>
LOSS FROM OPERATING ACTIVITIES	6	(473,859)	(65,610)
Finance costs	7	(17,900)	(27,094)
Share of profits and losses of jointly-controlled entities		<u>(2,362)</u>	<u>(33)</u>
LOSS BEFORE TAX		(494,121)	(92,737)
Tax	10	<u>(5,345)</u>	<u>1,471</u>
LOSS BEFORE MINORITY INTERESTS		(499,466)	(91,266)
Minority interests		<u>(41)</u>	<u>(2,062)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	<u><u>(499,507)</u></u>	<u><u>(93,328)</u></u>
LOSS PER SHARE – Basic	12	<u><u>(49.76) cents</u></u>	<u><u>(14.12) cents</u></u>
LOSS PER SHARE – Diluted	12	<u><u>not applicable</u></u>	<u><u>not applicable</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Surplus on revaluation of land and buildings	28	–	7,078
Deficit on revaluation of investment properties	28	(2,000)	(42,352)
Deficit on revaluation of properties held for development	28	–	(310,168)
Revaluation reserve eliminated upon reclassification to properties under development	28	(782)	–
Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development	28	157	–
Net losses not recognised in the profit and loss account		(2,625)	(345,442)
Net loss from ordinary activities attributable to shareholders		(499,507)	(93,328)
Total recognised gains and losses		(502,132)	(438,770)
Capital reserve on acquisition of additional interests in subsidiaries	28	–	8,331
		<u>(502,132)</u>	<u>(430,439)</u>

CONSOLIDATED BALANCE SHEET

31 March 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	14	409,176	462,751
Properties under development	15	106,995	62,215
Properties held for development	16	1,261,918	1,618,778
Interests in jointly-controlled entities	17	(4,116)	38
Long term investment	18	560	560
Pledged deposits	19	49,659	22,272
		<hr/>	<hr/>
		1,824,192	2,166,614
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development for sale	15	423,481	282,891
Completed properties for sale	20	163,850	267,773
Trade receivables	21	43,364	147,996
Prepayments, deposits and other receivables		49,146	34,576
Cash and bank balances		76,394	52,879
		<hr/>	<hr/>
		756,235	786,115
		<hr/>	<hr/>
CURRENT LIABILITIES			
Due to the ultimate holding company	22	96,587	131,771
Trade payables	23	107,247	92,281
Tax payable		7,628	2,364
Deposits received		22,449	4,317
Other payables and accruals		140,461	108,180
Interest-bearing bank and other borrowings	24	360,385	327,215
		<hr/>	<hr/>
		734,757	666,128
		<hr/>	<hr/>
NET CURRENT ASSETS		<hr/>	<hr/>
		21,478	119,987
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,845,670	2,286,601

APPENDIX II**FINANCIAL INFORMATION**

		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Due to the ultimate holding company	22	20,000	–
Interest-bearing bank and other borrowings	24	189,120	143,443
Long term payables	25	151,847	227,140
Deferred tax	26	1,989	1,989
		<u>362,956</u>	<u>372,572</u>
MINORITY INTERESTS			
		<u>7,578</u>	<u>4,181</u>
		<u><u>1,475,136</u></u>	<u><u>1,909,848</u></u>
CAPITAL AND RESERVES			
Issued capital	27	102,400	64,000
Reserves	28	1,372,736	1,845,848
		<u><u>1,475,136</u></u>	<u><u>1,909,848</u></u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<i>30(a)</i>	(20,598)	27,421
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		157	164
Interest paid		(31,814)	(39,186)
Net cash outflow from returns on investments and servicing of finance		(31,657)	(39,022)
TAX			
Overseas taxes (paid)/refunded		(81)	186
INVESTING ACTIVITIES			
Acquisition of a subsidiary	<i>30(c)</i>	(34,126)	–
Acquisition of additional interests in subsidiaries		–	(557)
Purchases of fixed assets		(12,216)	(3,328)
Proceeds from disposal of fixed assets		60,026	–
Increase/(decrease) in balances with jointly-controlled entities		1,792	(2,139)
Increase in pledged deposits		(27,387)	(10,736)
Net cash outflow from investing activities		(11,911)	(16,760)

APPENDIX II**FINANCIAL INFORMATION**

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(64,247)	(28,175)
FINANCING ACTIVITIES	<i>30(b)</i>		
Proceeds from issue of share capital		59,880	–
New bank borrowings and other loans		225,668	137,956
Repayment of bank borrowings and other loans		(182,418)	(215,052)
Increase/(decrease) in an amount due to the ultimate holding company		(15,184)	79,405
Net cash inflow from financing activities		<u>87,946</u>	<u>2,309</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,699	(25,866)
Cash and cash equivalents at beginning of year		<u>43,554</u>	<u>69,420</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>67,253</u></u>	<u><u>43,554</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		76,394	52,879
Bank overdrafts		(9,141)	(9,325)
		<u><u>67,253</u></u>	<u><u>43,554</u></u>

BALANCE SHEET

31 March 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	<i>13</i>	1,462,795	1,910,790
CURRENT ASSETS			
Cash and bank balances		24	23
CURRENT LIABILITIES			
Other payables and accruals		1,157	1,038
NET CURRENT LIABILITIES			
		(1,133)	(1,015)
		<u>1,461,662</u>	<u>1,909,775</u>
CAPITAL AND RESERVES			
Issued capital	<i>27</i>	102,400	64,000
Reserves	<i>28</i>	1,359,262	1,845,775
		<u>1,461,662</u>	<u>1,909,775</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2002

1. Corporate Information

During the year, the Group was involved in the following principal activities:

- property development
- property investment
- provision of property management services

In the opinion of the directors, the ultimate holding company of the Company is Coastal International Holdings Limited, which is incorporated in the British Virgin Islands.

2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”)

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year’s financial statements:

- SSAP 9 (Revised) : “Events after the balance sheet date”
- SSAP 14 (Revised) : “Leases”
- SSAP 18 (Revised) : “Revenue”
- SSAP 26 : “Segment reporting”
- SSAP 28 : “Provisions, contingent liabilities and contingent assets”
- SSAP 29 : “Intangible assets”
- SSAP 30 : “Business combinations”
- SSAP 31 : “Impairment of assets”
- SSAP 32 : “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12 : “Business combinations – subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13 : “Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 32 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the noncurrent assets section of the balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. The adoption of the SSAP and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in note 29 to the financial statements. The required new additional disclosures are included in note 29 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain properties held for development and certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company and "properties under development for sale";
- (c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of postacquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of leasehold land and buildings are dealt with as movements in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining terms of the leases, including renewal periods
Buildings	2% to 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Properties under development and properties under development for sale

Properties under development, for which pre-sales have not yet commenced, are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

Properties under development which have been pre-sold are stated at cost plus attributable profits less sales deposits/instalments received and receivable and any foreseeable losses. Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sales deposits/installments received, with due allowances for contingencies.

Properties held for development

Properties held for development are stated at cost or at carrying value, being the valuation made by independent professional qualified valuers as at 31 March 1995 on an open market basis, less any impairment losses.

No further revaluations of the properties held for development have been carried out since 1995, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment" (issued in 1995), from the requirements to carry out future revaluations of its properties held for development which were stated at valuation at that time.

For properties held for development received in exchange for previously-held properties held for development, their fair value at the date of exchange is treated as the cost of acquisition.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on prevailing market prices, on an individual property basis.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases relating to the development of properties are capitalised during the development period. Where the Group is the lessor, assets leased by the Group under operating leases are included in noncurrent assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

A long term investment which is intended to be held on a continuing basis is stated at cost less any impairment losses on an individual investment basis.

When an impairment in value has occurred, the carrying amount of the security is reduced to its fair value, as estimated by the directors, and the amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to an impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Foreign currency translation differences on borrowings relating to the development of properties are capitalised during the development period. All other exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed “Properties under development and properties under development for sale”;
- (c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;
- (d) property management income, when the related management services are provided; and
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2001. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group’s subsidiaries which operate in the People’s Republic of China (the “PRC”) are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 8% – 25.5% of their payroll costs to the central pension scheme.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. Segment Information

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in the construction of properties in the PRC;
- (b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential;
- (c) the property management segment engages in the management of properties in the PRC; and
- (d) the corporate and other segment mainly engages in investment holding.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Property development		Property investment		Property management		Corporate and Other		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	<u>179,574</u>	<u>316,574</u>	<u>21,110</u>	<u>37,718</u>	<u>1,312</u>	<u>1,270</u>	<u>-</u>	<u>-</u>	<u>201,996</u>	<u>355,562</u>
Segment results	<u>(448,302)</u>	<u>(64,335)</u>	<u>1,780</u>	<u>17,197</u>	<u>548</u>	<u>481</u>	<u>(28,042)</u>	<u>(19,117)</u>	<u>(474,016)</u>	<u>(65,774)</u>
Interest income									<u>157</u>	<u>164</u>
Loss from operating activities									<u>(473,859)</u>	<u>(65,610)</u>
Finance costs									<u>(17,900)</u>	<u>(27,094)</u>
Share of profits and losses of jointly-controlled entities	<u>(22)</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>(2,340)</u>	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(2,362)</u>	<u>(33)</u>
Loss before tax									<u>(494,121)</u>	<u>(92,737)</u>
Tax									<u>(5,345)</u>	<u>1,471</u>
Loss before minority interests									<u>(499,466)</u>	<u>(91,266)</u>
Minority interests									<u>(41)</u>	<u>(2,062)</u>
Net loss from ordinary activities attributable to shareholders									<u>(499,507)</u>	<u>(93,328)</u>

APPENDIX II
FINANCIAL INFORMATION

The following table presents certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Corporate and Other		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,183,197	2,488,197	383,434	384,821	8,333	10,790	(122)	58,998	2,574,842	2,942,806
Interests in jointly controlled entities	517	(5,542)	-	(3,717)	-	-	(4,633)	9,297	(4,116)	38
Unallocated assets									560	560
Bank overdrafts included in segments assets	-	-	-	-	-	-	9,141	9,325	9,141	9,325
Total assets									<u>2,580,427</u>	<u>2,952,729</u>
Segment liabilities	360,527	389,915	56,248	34,842	2,363	2,843	2,865	4,318	422,003	431,918
Unallocated liabilities									666,569	597,457
Bank overdrafts included in segments assets	-	-	-	-	-	-	9,141	9,325	9,141	9,325
Total liabilities									<u>1,097,713</u>	<u>1,038,700</u>
Other segment information:										
Depreciation	610	1,995	2,310	542	5	3	609	1,487	3,534	4,027
Provision for impairment of properties held for development	379,649	-	-	-	-	-	-	-	379,649	-
Provision for impairment of properties under development	94,686	10,701	-	-	-	-	-	-	94,686	10,701
Provision for impairment of completed properties for sale	36,000	30,698	-	-	-	-	-	-	36,000	30,698
Reduction in land grant fees upon exchange of properties held for development	(63,649)	-	-	-	-	-	-	-	(63,649)	-
Provision for land appreciation tax	1,560	6,000	-	-	-	-	-	-	1,560	6,000
Provisions for doubtful debts	715	14,980	-	-	-	-	-	-	715	14,980
Loss on disposal of fixed assets	6	-	-	-	-	-	104	79	110	79
Loss on disposal of an investment property	-	-	-	-	-	-	7,716	-	7,716	-
Capital expenditure	<u>9,495</u>	<u>2,234</u>	<u>163</u>	<u>103</u>	<u>15</u>	<u>17</u>	<u>2,543</u>	<u>974</u>	<u>12,216</u>	<u>3,328</u>

(b) Geographical segments

The following tables present revenue, loss and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Corporate and Other		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:								
Sales to external customers	65	471	201,772	354,288	159	803	201,996	355,562
Segment results*	(13,387)	(4,605)	(446,625)	(48,068)	(14,004)	(13,101)	(474,016)	(65,774)
Other segment information:								
Segment assets	229	17,992	2,573,266	2,875,377	(2,209)	50,035	2,571,286	2,943,404
Bank overdrafts included in segment assets	-	-	-	-	9,141	9,325	9,141	9,325
							2,580,427	2,952,729
Capital expenditure	31	-	9,673	2,354	2,512	974	12,216	3,328

* disclosed pursuant to the requirements of the Listing Rules.

5. Turnover

Turnover represents gross proceeds, net of returns, from the sale of properties and pre-sale of properties under development, adjusted to reflect the progress of the development, together with gross rental income and property management income.

Included in the Group's turnover is revenue arising from the following activities:

	Group	
	2002 HK\$'000	2001 HK\$'000
Sale of properties	179,574	316,574
Gross rental income	21,110	37,718
Property management income	1,312	1,270
	201,996	355,562

6. Loss From Operating Activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK\$'000	HK\$'000
Cost of properties for sale sold	175,770	297,938
Depreciation	3,973	4,758
<i>Less:</i> Amounts capitalised in properties under development	(439)	(731)
	<u>3,534</u>	<u>4,027</u>
Minimum lease payments under operating leases for land and buildings	1,344	262
<i>Less:</i> Amounts capitalised in properties under development	(71)	(104)
	<u>1,273</u>	<u>158</u>
Auditors' remuneration	800	750
Staff costs (including directors' remuneration – <i>note 8</i>)	18,436	19,090
Pension scheme contributions	1,095	62
<i>Less:</i> Amounts capitalised in properties under development	(5,020)	(4,592)
	<u>14,511</u>	<u>14,560</u>
Provisions for impairment of:		
– properties held for development* (<i>note 16</i>)	379,649	–
– properties under development*	94,686	10,701
– completed properties for sale**	36,000	30,698
	<u>510,335</u>	<u>41,399</u>
Provision for land appreciation tax*	1,560	6,000
Provisions for doubtful debts*	715	14,980
Loss on disposal of fixed assets (other than investment properties)	110	79
Loss on disposal of an investment property*	7,716	–
Reduction in land grant fees upon exchange of properties held for development* (<i>note 16</i>)	(63,649)	–
Revaluation surplus on leasehold land and buildings	–	(2,167)
Interest income	(157)	(164)
Exchange gains, net	(1,856)	(1,124)
Gross rental income	(21,110)	(37,718)
<i>Less:</i> Outgoings	14,960	10,351
Net rental income	<u>(6,150)</u>	<u>(27,367)</u>

* included in "Other operating expenses, net" on the face of the profit and loss account

** included in "Cost of sales" on the face of the profit and loss account

7. Finance Costs

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	27,206	38,416
Interest on other loans	4,608	770
	<u>31,814</u>	<u>39,186</u>
<i>Less:</i> Amounts capitalised in properties under development	(13,914)	(12,092)
	<u>17,900</u>	<u>27,094</u>

8. Directors' Remuneration

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	90	100
Executive directors' other emoluments:		
Basic salaries and bonuses	5,213	5,390
Pension scheme contributions	60	20
Housing benefits, other allowances and benefits in kind	934	1,200
	<u>6,297</u>	<u>6,710</u>

The amounts disclosed above include directors' fees of HK\$60,000 (2001: HK\$60,000) payable to the independent non-executive directors.

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	8	8
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	2	2
	<u>12</u>	<u>12</u>

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$50,000 (2001: HK\$60,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No value was included in the directors' remuneration in respect of share options granted during the prior year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted.

9. Five Highest Paid Individuals

The five highest paid individuals during the year included four (2001: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2001: one) non-director, highest paid individual fell within the band of HK\$1,000,001 – HK\$1,500,000 (2001: Nil – HK\$1,000,000) and the details were as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and bonus	1,109	440
Contributions to pension scheme	12	4
	<u>1,121</u>	<u>444</u>

10. Tax

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Elsewhere	2,964	243
Under/(over)provision in prior years	2,381	(1,714)
Tax charge/(credit) for the year	<u>5,345</u>	<u>(1,471)</u>

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2001: Nil).

The Group's profits tax 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. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions.

11. Net Loss From Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to Shareholders for the year dealt with in the financial statements of the Company is approximately HK\$507,993,000 (2001: HK\$430,512,000).

12. Loss Per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$499,507,000 (2001: HK\$93,328,000) and the weighted average of 1,003,744,966 (2001: 661,184,000) shares in issue during the year.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the years ended 31 March 2002 and 2001, they exerted no dilution effect on the basic loss per share for the years ended 31 March 2002 and 2001.

13. Interests in Subsidiaries

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	2,409,683	2,409,683
Amounts due from subsidiaries	462,910	408,692
	<u>2,872,593</u>	<u>2,818,375</u>
<i>Less:</i> Provisions for impairment	(1,409,798)	(907,585)
	<u><u>1,462,795</u></u>	<u><u>1,910,790</u></u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Further particulars of the principal subsidiaries are set out in note 35 to the financial statements.

14. Fixed Assets

Group	Investment properties HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Long term leasehold land and buildings in the PRC HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	399,430	45,800	12,008	6,613	7,997	4,964	476,812
Additions	–	–	–	10,342	1,374	500	12,216
Acquisition of a subsidiary	–	–	–	–	165	617	782
Disposals	(17,000)	(41,950)	(308)	(3,553)	(764)	(688)	(64,263)
Deficit on revaluation	(2,000)	–	–	–	–	–	(2,000)
At 31 March 2002	<u>380,430</u>	<u>3,850</u>	<u>11,700</u>	<u>13,402</u>	<u>8,772</u>	<u>5,393</u>	<u>423,547</u>
Accumulated depreciation:							
At beginning of year	–	–	1,003	4,356	5,499	3,203	14,061
Provided during the year	–	77	234	2,452	561	649	3,973
Acquisition of a subsidiary	–	–	–	–	41	247	288
Disposals	–	–	(127)	(2,796)	(572)	(456)	(3,951)
At 31 March 2002	<u>–</u>	<u>77</u>	<u>1,110</u>	<u>4,012</u>	<u>5,529</u>	<u>3,643</u>	<u>14,371</u>
Net book value:							
At 31 March 2002	<u>380,430</u>	<u>3,773</u>	<u>10,590</u>	<u>9,390</u>	<u>3,243</u>	<u>1,750</u>	<u>409,176</u>
At 31 March 2001	<u>399,430</u>	<u>45,800</u>	<u>11,005</u>	<u>2,257</u>	<u>2,498</u>	<u>1,761</u>	<u>462,751</u>
Analysis of cost or valuation:							
At cost	–	–	–	13,402	8,772	5,393	27,567
At valuation	380,430	3,850	11,700	–	–	–	395,980
	<u><u>380,430</u></u>	<u><u>3,850</u></u>	<u><u>11,700</u></u>	<u><u>13,402</u></u>	<u><u>8,772</u></u>	<u><u>5,393</u></u>	<u><u>423,547</u></u>

In the opinion of the directors, the fair values of the Group's leasehold land and buildings did not differ materially from the carrying values of the respective assets at the balance sheet date and no further revaluation was therefore performed.

The leasehold land and buildings in Hong Kong are held under medium term leases as to the amount of approximately HK\$1,050,000 and under long term leases as to the amount of approximately HK\$2,800,000.

Had the Group's total leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$10,597,000 (2001: HK\$46,399,000).

Certain of the Group's leasehold land and buildings with a carrying value of HK\$2,744,000 (2001: HK\$44,750,000) have been pledged to a bank to secure general banking facilities granted to the Group (note 24).

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	2002 <i>HK\$'000</i>
Medium term leases	359,000
Long term leases	21,430
	<u>380,430</u>

All of the Group's investment properties in the PRC were revalued at 31 March 2002 by DTZ Debenham Tie Leung Limited, independent professional valuers, at HK\$380,430,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 32 to the financial statements.

Certain investment properties with an aggregate carrying value of HK\$304,697,000 (2001: HK\$214,098,000) have been pledged to banks to secure banking facilities granted to the Group (note 24).

15. Properties Under Development

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
At beginning of year	345,106	319,182
Additions	210,132	195,429
Transfer from properties held for development (<i>note 16</i>)	145,283	–
Attributable profits	23,066	–
	<u>723,587</u>	<u>514,611</u>
<i>Less:</i> Sales deposits and instalments received	(98,425)	–
	<u>625,162</u>	<u>514,611</u>
Provisions for impairment	(94,686)	(10,701)
	<u>530,476</u>	<u>503,910</u>
Transfer to completed properties for sale	–	(139,702)
Transfer to investment properties	–	(19,102)
	<u>530,476</u>	<u>345,106</u>
Portion classified as properties under development for sale under current assets	(423,481)	(282,891)
	<u>106,995</u>	<u>62,215</u>

The properties under development of the Group are situated in the PRC and are held under medium term leases as to the amount of approximately HK\$90,260,000 and under long term leases as to the amount of approximately HK\$440,216,000.

Certain properties under development with an aggregate carrying value of HK\$342,935,000 (2001: HK\$147,463,000) have been pledged to banks to secure banking facilities granted to the Group (note 24).

16. Properties Held for Development

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	1,618,778	1,842,458
Additions	62,480	86,488
Acquisition of a subsidiary (note 30(c))	106,374	–
Provisions for impairment	(379,649)	(310,168)
Transfer to properties under development (note 15)	(145,283)	–
Revaluation reserve eliminated upon reclassification to properties under development (note 28)	(782)	–
	<u>1,261,918</u>	<u>1,618,778</u>
At 31 March	<u>1,261,918</u>	<u>1,618,778</u>

The properties held for development of the Group are situated in the PRC and are held under long term leases.

In the prior year, the Group obtained approval from the relevant government authorities for the replacement of certain properties in the PRC held for development as at 31 March 2001, by other properties in the PRC to be held for future development by the Group. The replacement was completed during the current year. As a consequence of this exchange of assets, the attributable revaluation reserve of the properties being replaced, amounting to approximately HK\$1,256,214,000, has been transferred from the properties held for development revaluation reserve to retained profits upon the replacement (note 28). The current year's provision for impairment of the replacement land, amounting to HK\$379,649,000, has therefore been charged to the profit and loss account for the year (note 6). The reduction in the land grant fees payable resulting from the replacement of the properties, amounting to approximately HK\$63,649,000 (note 25), representing the difference between the fees payable for the new properties and the properties being replaced, has been credited to the profit and loss account upon the exchange (note 6).

As at 31 March 2002, the above properties include certain properties held for development amounting to approximately HK\$1,125 million, for which the Group has obtained only provisional land use right certificates. The procedures for the issue of provisional land use rights certificates and full formal land use rights certificates, together with details of the further land grant fees payable to the local government authorities in connection with the land use rights, are set out in note 25 to the financial statements.

17. Interests in Jointly-Controlled Entities

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	6,756	9,118
Amounts due from jointly-controlled entities	1,113	786
Amounts due to jointly-controlled entities	(11,985)	(9,866)
	<u>(4,116)</u>	<u>38</u>

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration	Group's percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
New Shanghai International Property Management Co., Ltd.*	Corporate	PRC	30%	43%	30%	Property management
Qingdao Coastal Realty Development Co., Ltd.*	Corporate	PRC	50%	25%	50%	Property development

* Audited by public accountants other than Ernst & Young.

18. Long Term Investment

	Group	
	2002 HK\$'000	2001 HK\$'000
Club membership debenture, at cost	<u>560</u>	<u>560</u>

19. Pledged Deposits

The balance represents deposits pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group.

20. Completed Properties for Sale

The carrying amount of completed properties for sale carried at net realisable value is HK\$106,223,000 (2001: HK\$101,331,000).

Certain completed properties for sale with an aggregate carrying value of HK\$41,745,000 (2001: HK\$40,826,000) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 24).

21. Trade Receivables

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situations for each project.

An aged analysis of the trade receivables, net of provisions for bad and doubtful debts, is as follows:

	2002		2001	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i>	Percentage
0 – 30 days	2,430	6	19,386	13
31 – 60 days	1,516	3	6,140	4
61 – 90 days	1,294	3	6,202	4
Over 90 days	38,124	88	116,268	79
	<u>43,364</u>	<u>100</u>	<u>147,996</u>	<u>100</u>

22. Due to the Ultimate Holding Company

Except for an amount of HK\$20,000,000 which is repayable after more than one year, the amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

23. Trade Payables

An aged analysis of the trade payables is as follows:

	2002		2001	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i>	Percentage
0 – 30 days	7,578	7	36,263	39
31 – 60 days	5,731	5	–	–
61 – 90 days	368	–	–	–
Over 90 days	93,570	88	56,018	61
	<u>107,247</u>	<u>100</u>	<u>92,281</u>	<u>100</u>

24. Interest-Bearing Bank and Other Borrowings

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank overdrafts:		
Secured	–	9,325
Unsecured	9,141	–
	<u>9,141</u>	<u>9,325</u>
Bank loans:		
Secured	393,616	352,001
Unsecured	65,938	19,703
	<u>459,554</u>	<u>371,704</u>
Other loans:		
Secured	65,985	74,350
Unsecured	14,825	15,279
	<u>80,810</u>	<u>89,629</u>
	<u>549,505</u>	<u>470,658</u>
Bank overdrafts repayable within one year or on demand	<u>9,141</u>	<u>9,325</u>
Bank loans repayable:		
Within one year or on demand	284,702	284,927
In the second year	63,384	10,538
In the third to fifth years, inclusive	111,468	75,868
Beyond five years	–	371
	<u>459,554</u>	<u>371,704</u>
Other loans repayable:		
Within one year	66,542	32,963
In the second year	558	42,257
In the third to fifth years, inclusive	1,673	1,305
Beyond five years	12,037	13,104
	<u>80,810</u>	<u>89,629</u>
	549,505	470,658
Portion classified as current liabilities	<u>(360,385)</u>	<u>(327,215)</u>
Long term portion	<u>189,120</u>	<u>143,443</u>

- (a) Certain of the Group's bank loans are secured by:
- (i) certain leasehold land and buildings of the Group with a carrying value at the balance sheet date of approximately HK\$3 million;
 - (ii) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$305 million;
 - (iii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$343 million;
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$20 million;
 - (v) personal guarantees from two directors and a former director of the Company; and
 - (vi) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$22 million at the balance sheet date. The other loans bear interest at rates ranging from 5.6% to 6.5% per annum.

25. Long Term Payables

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of year	227,140	178,322
Additions for properties held for development	24,159	48,818
Reclassification to trade payables	(35,803)	–
Reduction in land grant fees upon replacement of properties held for development (<i>note 16</i>)	(63,649)	–
	<u>151,847</u>	<u>227,140</u>
At 31 March	<u>151,847</u>	<u>227,140</u>

The long term payables mainly represent land grant fees due in respect of the acquisition of land use rights in the PRC.

In accordance with the terms of the land use grant agreements and the sale and purchase agreements, the further land grant fee considerations are payable only upon the commencement of development of the relevant projects and according to the progress of the development. Until the land grant fee in respect of a particular site has been fully paid, the Group is only permitted to apply for a provisional land use right certificate, not the formal land use right certificate, for that site and the Group is not allowed to transfer, mortgage or lease the relevant properties in respect of that site without the consent of the local government authorities.

As at 31 March 2002, the Group has obtained only provisional land use right certificates for certain properties held for development amounting to approximately HK\$1,125 million. The balance of the land grant fees in respect of these properties held for development, comprising the long term payable amount above, will not be payable within one year because the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

26. Deferred Tax

	Group	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of year and end of year	<u>1,989</u>	<u>1,989</u>

The provision for deferred tax in the prior year was principally made for the exchange gain arising in a PRC subsidiary.

At the balance sheet date, the Group had an unprovided deferred tax liability of approximately HK\$28 million (2001: HK\$444 million) in respect of the surplus arising from the revaluation of certain investment properties and properties held for development, and an unrecognised deferred tax asset of approximately HK\$5 million (2001: HK\$6 million) in respect of tax losses arising in Hong Kong. The directors are of the opinion that such deferred tax liability will not crystallise in the foreseeable future.

27. Share Capital

	2002	2001
	HK\$'000	HK\$'000
Shares		
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
1,024,000,000 (2001: 640,000,000) ordinary shares of HK\$0.10 each	<u>102,400</u>	<u>64,000</u>

During the year, a rights issue of three rights shares for every five existing shares then held was made, at an issue price of HK\$0.16 per rights share, resulting in the issue of 384,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$61,440,000.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, there were 54,600,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares in the Company in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates. The subscription price payable upon the exercise of these options was HK\$0.32 per share.

With effect from the completion of the rights issue of shares in the Company during the year as further detailed above, the number of shares to be issued upon the exercise of all outstanding share options was adjusted from 54,600,000 shares to 87,360,000 shares and the exercise price of the share options was adjusted from HK\$0.32 per share to HK\$0.20 per share.

No share options were exercised during the year. A total of 24,640,000 share options lapsed during the year.

At the balance sheet date, the Company had 62,720,000 share options outstanding under the Scheme, with exercise periods ranging from 1 October 2000 to 19 September 2007 and an exercise price of HK\$0.20 per share. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,720,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$12,544,000.

28. Reserves

Group	Share	Contributed surplus	Capital reserve	Land and buildings revaluation reserve	Investment properties revaluation reserve	Properties held for development	Exchange fluctuation reserve	Retained profits	PRC reserve funds (note)	Total
	premium account					revaluation reserve			revaluation reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000	289,500	131,803	1,521	3,973	102,456	1,585,938	(472)	161,568	-	2,276,287
Capital reserve on acquisition of additional interests in subsidiaries	-	-	8,331	-	-	-	-	-	-	8,331
Surplus/(deficit) on revaluation	-	-	-	7,078	(42,352)	-	-	-	-	(35,274)
Provisions for impairment of properties held for development (note 16)	-	-	-	-	-	(310,168)	-	-	-	(310,168)
Net loss for the year	-	-	-	-	-	-	-	(93,328)	-	(93,328)
At 31 March 2001 and beginning of year	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,240	-	1,845,848
Rights issue of shares	23,040	-	-	-	-	-	-	-	-	23,040
Share issue expenses	(1,560)	-	-	-	-	-	-	-	-	(1,560)
Revaluation reserve released upon disposal of land and buildings	-	-	-	(5,218)	-	-	-	5,218	-	-
Deficit on revaluation	-	-	-	-	(2,000)	-	-	-	-	(2,000)
Realisation of revaluation deficit upon disposal of an investment property	-	-	-	-	7,540	-	-	-	-	7,540
Revaluation reserve released upon replacement of properties held for development (note 16)	-	-	-	-	-	(1,256,214)	-	1,256,214	-	-
Revaluation reserve eliminated upon reclassification to properties under development (note 16)	-	-	-	-	-	(782)	-	-	-	(782)
Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development	-	-	-	-	-	157	-	-	-	157
Net loss for the year	-	-	-	-	-	-	-	(499,507)	-	(499,507)
Transfer	-	-	929	-	-	-	-	(2,973)	2,044	-
At 31 March 2002	310,980	131,803	10,781	5,833	65,644	18,931	(472)	827,192	2,044	1,372,736
Reserves retained by:										
Company and subsidiaries	310,980	131,803	10,781	5,833	65,644	18,931	(472)	829,598	2,044	1,375,142
Jointly-controlled entities	-	-	-	-	-	-	-	(2,406)	-	(2,406)
31 March 2002	310,980	131,803	10,781	5,833	65,644	18,931	(472)	827,192	2,044	1,372,736
Reserves retained by:										
Company and subsidiaries	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,284	-	1,845,892
Jointly-controlled entities	-	-	-	-	-	-	-	(44)	-	(44)
31 March 2001	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,240	-	1,845,848

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to their use.

Company	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000	289,500	2,409,483	(422,696)	2,276,287
Net loss for the year	—	—	(430,512)	(430,512)
At 31 March 2001 and beginning of year	289,500	2,409,483	(853,208)	1,845,775
Rights issue of shares	23,040	—	—	23,040
Share issue expenses	(1,560)	—	—	(1,560)
Net loss for the year	—	—	(507,993)	(507,993)
At 31 March 2002	<u>310,980</u>	<u>2,409,483</u>	<u>(1,361,201)</u>	<u>1,359,262</u>

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997.

The contributed surplus of the Company arose as a result of the Group reorganisation completed in September 1997 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor.

29. Negative Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve.

The amount of the negative goodwill remaining in consolidated reserves, arising from acquisitions of subsidiaries prior to 1 April 2001, is as follows:

Group	Negative goodwill credited to consolidated capital reserve <i>HK\$'000</i>
Cost:	
At beginning of year and 31 March 2002	9,852
Accumulated amortisation:	
At beginning of year and 31 March 2002	—
Net amount:	
At 31 March 2002	<u>9,852</u>
At 31 March 2001	<u>9,852</u>

30. Notes to the Consolidated Cash Flow Statements

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operating activities	(473,859)	(65,610)
Interest income	(157)	(164)
Depreciation	3,534	4,027
Loss on disposal of fixed assets	110	79
Loss on disposal of an investment property	7,716	–
Revaluation surplus on leasehold land and buildings	–	(2,167)
Provisions for impairment in values of properties held for development, properties under development and completed properties for sale	510,335	41,399
Provisions for doubtful debts	715	14,980
Reduction in land grant fees upon exchange of properties held for development	(63,649)	–
Increase in properties under development	(120,420)	(182,606)
Increase in properties held for development	(38,321)	(37,670)
Decrease/(increase) in trade receivables	103,917	(15,966)
Decrease in completed properties for sale	67,923	195,232
Decrease/(increase) in prepayments, deposits and other receivables	(14,561)	26,192
Increase/(decrease) in trade payables	(20,837)	47,938
Increase/(decrease) in other payables and accruals	(1,176)	3,051
Increase/(decrease) in deposits received	18,132	(1,294)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>(20,598)</u>	<u>27,421</u>

(b) Analysis of changes in financing during the year

	Issued capital (including share premium) <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Due to the ultimate holding company <i>HK\$'000</i>
At 1 April 2000	353,500	538,429	11,007	52,366
Net cash inflow/(outflow) from financing	–	(77,096)	–	79,405
Share of results for the year	–	–	2,062	–
Acquisition of additional interests in subsidiaries	–	–	(8,888)	–
At 31 March 2001 and 1 April 2001	353,500	461,333	4,181	131,771
Net cash inflow/(outflow) from financing	59,880	43,250	–	(15,184)
Acquisition of a subsidiary	–	35,781	3,513	–
Share of results for the year	–	–	41	–
Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development	–	–	(157)	–
At 31 March 2002	<u>413,380</u>	<u>540,364</u>	<u>7,578</u>	<u>116,587</u>

(c) Acquisition of a subsidiary

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	494	–
Properties held for development	106,374	–
Prepayments, deposits and other receivables	9	–
Other payables	(929)	–
Bank loan	(35,781)	–
Minority interests	(3,513)	–
	<u>66,654</u>	<u>–</u>
Satisfied by:		
Cash	34,126	–
Other payables	32,528	–
	<u>66,654</u>	<u>–</u>

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	34,126	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>34,126</u>	<u>–</u>

On 15 January 2002, the Group acquired a 95% interest in Beijing Xing Gang Real Estate Company Limited, which is engaged in property development. The purchase consideration for the acquisition was in the form of cash, with HK\$34,126,000 being paid during the year.

The subsidiary acquired in the current year made no significant contribution to the Group in respect of the Group's cash flows, turnover and contribution to the consolidated loss after tax and before minority interests for the year.

31. Contingent Liabilities

At 31 March 2002, the Group had given guarantees to the extent of approximately HK\$171,731,000 (2001: HK\$271,776,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 31 March 2002, the Company had given guarantees to the extent of approximately HK\$232,055,000 (2001: HK\$181,077,000) to banks for facilities granted to its subsidiaries.

32. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 month to 3 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group had total future minimum lease receivables under noncancellable operating leases with its tenants falling due as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	11,947	1,998
In the second to fifth years, inclusive	2,007	706
	<u>13,954</u>	<u>2,704</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 3 years.

At 31 March 2002, the Group had total future minimum lease payments under noncancellable operating leases falling due as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	932	456
In the second to fifth years, inclusive	937	–
	<u>1,869</u>	<u>456</u>

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

33. Commitments

In addition to the operating lease commitments detailed in note 32 above, the Group and the Company had the following capital commitments at the balance sheet date.

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Property development expenditure:				
Contracted for	94,884	81,703	–	–
Authorised, but not contracted for	520,751	318,852	–	–
	<u>615,635</u>	<u>400,555</u>	<u>–</u>	<u>–</u>

34. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, the Group had the following transactions with a related party during the year:

- (a) Under a licence contract dated 20 September 1997 between Coastal International Holdings Limited (the Company's ultimate holding company) and the Company, Coastal International Holdings Limited agreed to grant to the Company, for an annual fee of HK\$10 payable by the Company under the agreement, a non-exclusive licence to use its trademark for an initial term of ten years.

The independent non-executive directors of the Company have reviewed and confirmed that the above transaction was conducted in the ordinary and usual course of the Group's business, is in accordance with the terms of the agreement governing the transaction, and is fair and reasonable so far as the shareholders of the Company are concerned.

- (b) As disclosed in the circular and prospectus in connection with the Company's rights issue completed during the year (note 27), Coastal International Holdings Limited had entered into an underwriting agreement with the Company in respect of the rights issue. As a result, Coastal International Holdings Limited had received an underwriting commission of approximately HK\$660,000 from the Company in accordance with the terms of the underwriting agreement.

35. Particulars of the Principal Subsidiaries

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Directly held subsidiary:				
Coastal Realty (BVI) Limited	British Virgin Islands/Hong Kong	US\$200 Ordinary	100%	Investment holding
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited	PRC	RMB112,050,000	95%	Property development
Coastal Greenland Development (An Shan) Ltd. ^	PRC	RMB50,000,000	96%	Property development
Coastal Greenland Development (Fujian) Ltd. #	PRC	US\$10,000,000	100%	Property development
Coastal Greenland Development (Shenzhen) Ltd. #	PRC	US\$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd. #	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd. #	PRC	RMB100,000,000	100%	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note ii)	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd. #	PRC	US\$12,000,000	100%	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding
Comfort Property Management (Anshan) Ltd. #	PRC	RMB1,000,000	100%	Property management
Comfort Property Management (Shenzhen) Ltd. #	PRC	US\$121,000	100%	Property management
Comfort Property Management (Wuhan) Ltd. #	PRC	HK\$1,000,000	100%	Property management

APPENDIX II
FINANCIAL INFORMATION

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Comfort Property Management (Xiamen) Ltd. #	PRC	RMB3,000,000	100%	Property management
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Fenhall Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Fenson Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom View Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd. ^	PRC	RMB10,000,000	100%	Property development
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB20,000,000	100%	Property development
Shanghai Ling Zhi Properties Co., Ltd. ^	PRC	US\$25,000,000	100%	Property development
Shanghai Xin Jia Management Co., Ltd.^ (formerly Shanghai Wu Tian Property Management Services Co., Ltd.)	PRC	RMB3,000,000	100%	Property management
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Trenco Properties Limited	Hong Kong	HK\$10,000 Ordinary	100%	Investment holding
Wuhan Commercial Plaza Co., Ltd. #	PRC	US\$5,000,000	100%	Property development
Xiamen Linzi Construction Development Co., Ltd. #	PRC	US\$5,000,000	100%	Property development

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the nonvoting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them respectively.

wholly foreign owned enterprise

^ *contractual joint venture*

During the year, the Group acquired Beijing Xing Gang Real Estate Company Limited from certain independent third parties. Further details of this acquisition are included in note 30(c) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. Comparative Amounts

As further explained in note 2 to the financial statements, due to the adoption of new and revised SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 July 2002.

EXTRACT OF UNAUDITED RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

The unaudited results of the Group for the six months ended 30th September, 2002, together with the comparative figures for the corresponding period in 2001, are summarised as follows:

	<i>Notes</i>	For the six months ended 30th September,	
		2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER		<u>278,325</u>	<u>91,098</u>
OPERATING PROFIT/(LOSS)		28,333	(19,596)
Finance costs		(7,701)	(9,396)
Share of profits and losses of jointly-controlled entities		<u>(8)</u>	<u>27</u>
PROFIT/(LOSS) BEFORE TAX		20,624	(28,965)
Tax	<i>1</i>	<u>(8,734)</u>	<u>(679)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		11,890	(29,644)
Minority interests		<u>(395)</u>	<u>(318)</u>
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>11,495</u>	<u>(29,962)</u>
EARNINGS/(LOSS) PER SHARE			
– Basic	<i>2</i>	<u>1.12 cents</u>	<u>(3.05 cents)</u>
– Diluted	<i>2</i>	<u>not applicable</u>	<u>(3.04 cents)</u>

CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September, 2002	(Audited) 31st March, 2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		414,489	409,176
Properties under development		97,896	106,995
Properties held for development		1,185,165	1,261,918
Interests in jointly-controlled entities		(4,674)	(4,116)
Long term investment		560	560
Pledged deposits		49,189	49,659
		<hr/>	<hr/>
		1,742,625	1,824,192
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development for sale		463,318	423,481
Completed properties for sale		196,375	163,850
Trade receivables	3	47,090	43,364
Prepayments, deposits and other receivables		66,223	49,146
Cash and bank balances		76,739	76,394
		<hr/>	<hr/>
		849,745	756,235
		<hr/>	<hr/>
CURRENT LIABILITIES			
Due to the ultimate holding company		73,773	96,587
Trade payables	4	136,335	107,247
Tax payable		18,019	7,628
Deposits received		26,202	22,449
Other payables and accruals		107,216	140,461
Interest-bearing bank and other borrowings		404,127	360,385
		<hr/>	<hr/>
		765,672	734,757
		<hr/>	<hr/>
NET CURRENT ASSETS		84,073	21,478
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,826,698	1,845,670

		(Unaudited) 30th September, 2002 <i>HK\$'000</i>	(Audited) 31st March, 2002 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Due to the ultimate holding company		20,000	20,000
Interest-bearing bank and other borrowings		189,584	189,120
Long term payables		122,510	151,847
Deferred tax		–	1,989
		<hr/>	<hr/>
		332,094	362,956
		<hr/>	<hr/>
MINORITY INTERESTS		7,973	7,578
		<hr/>	<hr/>
		1,486,631	1,475,136
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Issued capital	5	102,400	102,400
Reserves		1,384,231	1,372,736
		<hr/>	<hr/>
		1,486,631	1,475,136
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	34,675	167,622
Net cash outflow from investing activities	(7,549)	(9,581)
Net cash outflow from financing activities	(26,847)	(117,804)
Increase in cash and cash equivalents	279	40,237
Cash and cash equivalents at beginning of period	67,253	43,554
Cash and cash equivalents at end of period	<u>67,532</u>	<u>83,791</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	76,739	92,360
Bank overdrafts	(9,207)	(8,569)
	<u>67,532</u>	<u>83,791</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th September,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Total shareholders' fund at 1st April (Audited)	1,475,136	1,909,848
Rights issue of new shares	–	38,400
Share premium, net of related expenses, arose from rights issue of new shares	–	21,690
Revaluation reserve released on disposal of land and buildings	–	(5,218)
Reduction in value arose from replacement of certain properties held for development	–	(350,000)
Exchange differences arose on consolidation of overseas subsidiaries' financial statements	–	59
Net profit/(loss) for the period	11,495	(29,962)
Total shareholders' fund at 30th September (Unaudited)	<u>1,486,631</u>	<u>1,584,817</u>

Notes:

1. No Hong Kong profits tax has been provided as the Group did not generate any assessable profits during the period (2001: Nil).

The Group's profits tax represents tax charges on assessable profits of subsidiaries operating in the People's Republic of China ("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. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions.

	For the six months ended 30th September,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Elsewhere	8,734	679

2. The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$11,495,000 (2001: net loss of HK\$29,962,000) and the weighted average number of 1,024,000,000 (2001: 983,600,616) shares in issue during the period.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the period ended 30th September, 2002, they exerted no dilution effect on the basic earnings per share for the period ended 30th September, 2002.

The calculation of diluted loss per share for the period ended 30th September, 2001 is based on the net loss from ordinary activities attributable to shareholders of HK\$29,962,000 and the weighted average number of 983,600,616 shares in issue during that period plus the weighted average number of 1,054,561 dilutive shares deemed to be issued at no consideration assuming that all the outstanding share options had been exercised.

3. Trade receivables

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situation for each project. An aged analysis of the trade receivables, net of provisions for bad and doubtful debts, is as follows:

	(Unaudited)	(Audited)
	30th September,	31st March,
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	22,723	2,430
31-60 days	7,999	1,516
61-90 days	6,694	1,294
Over 90 days	9,674	38,124
	47,090	43,364

4. Trade payables

An aged analysis of the trade payables is as follows:

	(Unaudited) 30th September, 2002 <i>HK\$'000</i>	(Audited) 31st March, 2002 <i>HK\$'000</i>
0–30 days	8,994	7,578
31–60 days	4,524	5,731
61–90 days	32,528	368
Over 90 days	90,289	93,570
	<u>136,335</u>	<u>107,247</u>

5. Share capital

	(Unaudited) 30th September, 2002 <i>HK\$'000</i>	(Audited) 31st March, 2002 <i>HK\$'000</i>
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
1,024,000,000 ordinary shares of HK\$0.10 each	<u>102,400</u>	<u>102,400</u>

6. Contingent liabilities

At 30th September, 2002, the Group had given guarantees to the extent of approximately HK\$162,331,000 (31st March, 2002: HK\$171,731,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 30th September, 2002, the Company had given guarantees to the extent of approximately HK\$232,055,000 (31st March, 2002: HK\$232,055,000) to banks for facilities granted to its subsidiaries.

7. Commitments

Capital commitments:

	(Unaudited) 30th September, 2002 <i>HK\$'000</i>	(Audited) 31st March, 2002 <i>HK\$'000</i>
Property development expenditure:		
Contracted for	68,590	94,884
Authorised, but not contracted for	912,996	520,751
	<u>981,586</u>	<u>615,635</u>

8. Related party transaction

The Group had the following transaction with a related party during the period:

Under a licence contract dated 20th September, 1997 between Coastal International Holdings Limited (the Company's ultimate holding company) and the Company, Coastal International Holdings Limited agreed to grant to the Company, for an annual fee of HK\$10 payable by the Company under the agreement, a non-exclusive licence to use its trademark for an initial term of ten years.

The independent non-executive directors of the Company have reviewed and confirmed that the above transaction was conducted in the ordinary and usual course of the Group's business, is in accordance with the terms of the agreement governing the transaction, and is fair and reasonable so far as the shareholders of the Company are concerned.

9. Comparative figures

Due to the adoption of new/revised SSAPs for the period, certain comparative figures have been reclassified to conform with the current period's presentation.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of assets and liabilities of the enlarged group based on the unaudited consolidated net assets of the Company as at 30th September, 2002 and the audited net assets of Carry Investment Limited and China Max Development Limited as at 31st January, 2003 set out in Appendix I of the Circular.

	Pro forma adjustments						
	Group	Carry Investment Limited ("Carry")	China Max Development Limited ("China Max")	Elimination of amount due from Carry and China Max (note 1)	Acquisition of 20% interest in Unicorn Power Limited (note 2)	Attributable revaluation reserve for the acquisition of 47.5% interest in Tangshan (note 3)	Pro forma combined balances of the enlarged group
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Fixed assets	414,489	-	-				414,489
Properties under development	97,896	-	-				97,896
Properties held for development	1,185,165	-	-				1,185,165
Interest in jointly controlled entities	(4,674)	4,732	5,915		2,366	123,144	131,483
Long term investment	560	-	-				560
Pledged deposits	49,189	-	-				49,189
Current assets	849,745	-	-				849,745
Total assets	2,592,370	4,732	5,915				2,728,527
Current liabilities	(765,672)	-	-				(765,672)
Non-current liabilities	(332,094)	(4,732)	(5,915)	8,872			(333,869)
Total liabilities	(1,097,766)	(4,732)	(5,915)				(1,099,541)
Minority interest	(7,973)	-	-				(7,973)
Net assets	1,486,631	-	-				1,621,013

Notes:

- (1) Pursuant to the Acquisition Agreements, the Group conditionally agree to acquire the Carry Shareholders' Loan and China Max Shareholders' Loan amounted to approximately HK\$4,732,000 and HK\$4,140,000, respectively as at 31st January, 2003. The respectively shareholders' loans have been eliminated upon combination.
- (2) The net assets of Unicorn Power Limited as at 31st January, 2003 amounted to HK\$10. Pursuant to the Acquisition Agreements, the Group will acquire the Unicorn Shareholders' Loan amounted to HK\$2,366,000, as at 31st January, 2003.
- (3) The net asset value of Tangshan New Island Tourism Development Co., Ltd. ("Tangshan") as at 31st January, 2003 included a development project under construction (the "Property") at a carrying value of RMB21,787,771, approximately HK\$20,750,000. As per a valuation carried out by DTZ Debenham Tie Leung Limited, the fair value of the Property as at 31st March, 2003 amounted to HK\$280,000,000. For the purpose of compiling the unaudited pro forma statement of assets and liabilities of the enlarged group, a revaluation reserve of HK\$259,250,000 arose, and 47.5% of the aforesaid reserve amounting to HK\$123,144,000 is attributable to the Group.

According to the Acquisition Agreements, the aggregated amount of Carry Shares and Carry Shareholders' Loan, China Max Shares and China Max Shareholders' Loan, Unicorn Shares and Unicorn Shareholders' Loan to be acquired by the Group was approximately HK\$11,238,000. After the Acquisitions, the share of the net assets value by the Group of Tangshan will be increased by approximately HK\$123,144,000 as a result of the revaluation of the Property at HK\$280,000,000. For the purpose of compiling the unaudited pro forma statement of assets and liabilities of the enlarged group, the share of the net assets value by the Group under the Acquisitions of Tangshan, including the share of the revaluation surplus of HK\$123,144,000, amounted to approximately HK\$134,382,000. The total consideration to be paid by the Company for the Acquisitions is HK\$100,000,000. In accordance with the Group's accounting policy, the interest in Tangshan will be accounted for by the Group on the basis of equity method of accounting after the Acquisitions. The excess of the share of net assets value of Tangshan over the consideration paid of approximately HK\$34,382,000 arising from the Acquisitions will be incorporated in the consolidated accounts of the Group under the revaluation reserve attributable to jointly controlled entities.

- (4) The exchange rate adopted for the purpose of compiling the unaudited pro forma statement of assets and liabilities of the enlarged group is HK\$1 = RMB1.05.

INDEBTEDNESS

At the close of business on 31st March, 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$609 million, comprising secured bank loans of approximately HK\$479 million, other secured loans of approximately HK\$51 million, unsecured bank loans and overdrafts of approximately HK\$64 million and unsecured other loans of approximately HK\$15 million. In addition, as at 31st March, 2003, the Group had contingent liabilities in respect of guarantees given to the extent of approximately HK\$342 million to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

As at 31st March, 2003, to secure banking facilities granted to the Group, the Group has pledged certain assets, including investment properties, properties held for development, properties under development and completed properties for sale.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31st March, 2003, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material change in the indebtedness and contingent liabilities of the Group since 31st March, 2003.

Foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business in Hong Kong on 31st March, 2003.

WORKING CAPITAL

The Directors are of the opinion that taking into account the existing banking facilities available and the Consideration payable in connection with the Acquisitions, the Group has sufficient working capital for its present requirements.



10/F., Jardine House
1 Connaught Place
Central
Hong Kong

13th May, 2003

The Directors
Coastal Realty Group Limited
5th Floor
Bank of East Asia Harbour View Center
56 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

Re : A site situated in Da Wang Gang Island, Lao Ting County, Tang Shan City, Hebei Province, the People's Republic of China

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instructions of Coastal Realty Group Limited (the "Company") for us to value the interest proposed to be acquired by the Company and its subsidiaries (the "Group") in the captioned property situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of this property interest as at 31 March, 2003 (the "date of valuation") for the purpose of incorporation into a public document issued by the Group.

DEFINITION OF OPEN MARKET VALUE

Our valuation of the property interest represents our opinion of its open market value which we would define as intended to mean "the best price at which the sale of an interest in the property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

VALUATION BASES & ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interest on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to increase the value of such property interest.

In valuing the property which is situated in the PRC, we have valued it on the bases that transferable land use rights in respect of the property for a specific land use term at nominal annual land use fee have been granted and that any premium payable has already been paid in full. We have also assumed that the grantee or the user of the property has free and uninterrupted rights to use or to assign the property for the whole of the unexpired terms as granted. We have relied on the advice given by the Group and the Group’s legal adviser on PRC law, Huabo Law Firm, regarding the title to and the Group’s proposed interest in the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect value.

METHOD OF VALUATION

In valuing the property, we have valued it by Direct Comparison Method by making reference to the comparable site transactions and land prices as available in the relevant market.

SOURCE OF INFORMATION

We have relied to a very considerable extent on information given by the Group and the related parties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, site area and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information supplied.

TITLE INVESTIGATION

We have been provided by the Group with copies of some documents in relation to the title to the property. However, we have not been able to conduct searches to verify ownership or to ascertain any amendments which may not appear on the copies handed to us.

SITE INSPECTION

We have inspected the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions, and the services etc. for the future development. Our valuation is prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site area of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY & EXCHANGE RATE

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars. The exchange rate adopted in our valuation is HK\$1 = RMB1.06 which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

Our valuation certificate is attached below.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP),
MSc, M.H.K.I.S., M.R.I.C.S.
Director

Note : Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 13 years of experience in valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March, 2003
A site situated in Da Wang Gang Island, Lao Ting County, Tang Shan City, Hebei Province, the PRC	<p>The property comprises three contiguous lots which form an irregular-shaped site with a combined area of 7,111,554 sq.m. (76,548,767 sq.ft.).</p> <p>The property is planned to be developed into a resort compound with hotel, recreational facilities, villas and commercial and residential housing by phases.</p> <p>The land use rights of the property have been granted for a term due to expire on 16 January, 2043 for tourism use.</p>	The property is currently under site leveling and construction works.	<p>HK\$280,000,000</p> <p>(47.50% interest proposed to be acquired by the Group: HK\$133,000,000)</p>

Notes:

- (1) According to three Certificates for the Use of State-owned Land all issued by the People's Government of Lao Ting County, the land use rights of the property have been granted to Tangshan New Island Tourism Development Co., Ltd. for a term due to expire on 16 January, 2043 for "Tourism" use. Details of the said certificates are cited as follows:

Certificate No.	Date of issue	Site area
(2003) 0013	January 2003	4,647,145 sq.m.
(2003) 0009	January 2003	1,544,271 sq.m.
(2003) 0045	March 2003	920,138 sq.m.

- (2) According to an agreement entered into between the People's Government of Lao Ting County ("Party A") and Tangshan New Island Tourism Development Co., Ltd. ("Party B") on 21 December, 2001, Party A has agreed to transfer the coastal development rights, land use rights and operation rights of a portion of Da Wan Gang Island to Party B for a term of 50 years at a land grant fee of RMB4,500,000.

- (3) According to the Equity Joint Venture Contract (Amended) entered into between Unicorn Power Limited ("Party A"), Carry Investment Limited ("Party B"), China Max Development Limited ("Party C") and 唐山海港興嘉物貿有限公司 ("Party D") on 6 November, 2002, the parties agreed to jointly operate an equity joint venture enterprise. The salient terms and conditions stipulated in the said contract are, inter alia, cited as follows:

- (i) Name of the enterprise : Tangshan New Island Tourism Development Co., Ltd.
- (ii) Total investment amount : US\$29,500,000
- (iii) Registered capital : US\$11,800,000
- (iv) Capital contribution :
- | | | |
|---------|---|---|
| Party A | : | US\$5,900,000 (50% of registered capital) |
| Party B | : | US\$2,360,000 (20% of registered capital) |
| Party C | : | US\$2,950,000 (25% of registered capital) |
| Party D | : | US\$590,000 (5% of registered capital) |

- (v) Profit/Loss sharing : Party A : 50%
 Party B : 20%
 Party C : 25%
 Party D : 5%
- (vi) Co-operation period : 30 years from the date of issue of the business licence
- (5) According to Business Licence No. 000982, Tangshan New Island Tourism Development Co., Ltd. has been incorporated as a sino-foreign joint equity enterprise with a registered capital of US\$11,800,000 and an operation period from 4 December, 2001 to 3 December, 2031.
- (6) The opinion of the Group's legal adviser on PRC law states, inter alia, that:
- (i) Tangshan New Island Tourism Development Co., Ltd. ("Tangshan New Island") has been legally incorporated under the PRC law pursuant to obtaining a business licence.
- (ii) Tangshan New Island has entered into an agreement with the People's Government of Lao Ting County to acquire the coastal development rights, land use rights and operation rights of a portion of Da Wang Gang Island to Tangshan New Island for a term of 50 years at a land grant fee of RMB4,500,000.
- (iii) By virtue of full settlement of the land grant fee, Tangshan New Island has been granted with the Certificates for the Use of State-owned Land in respect of the land situated at Da Wang Gang Island with a total site area of 7,111,554 sq.m.
- (iv) Tangshan New Island is entitled to transfer, lease and/or mortgage the land use rights of the property.
- (v) The property is not subject to any encumbrances.
- (7) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Tangshan New Island Tourism Development Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer the property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and other costs of ancillary utilities services have been fully settled; and
- (iii) the property may be freely disposed of to third parties.
- (8) In accordance with the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract for State-owned Land Use Rights	N/A
Planning Permit for Construction Works	Yes (part)
Real Estate Title Certificate/Certificate for Housing Ownership	N/A
Business License	Yes

INTRODUCTION

An ordinary resolution will be proposed to grant to the Directors the Repurchase Mandate at the SGM. This appendix contains the explanatory statement in compliance with the Listing Rules and gives all the information reasonably necessary to enable the Shareholders to make an informed decision on whether or not to vote for or against the resolution to approve the Repurchase Mandate. The Listing Rules require that all Shares to be repurchased must be fully paid.

EXERCISE OF THE REPURCHASE MANDATE

Upon the allotment and issue of Consideration Shares, the issued share capital of the Company will be 2,024,000,000 Shares.

Subject to the passing of the proposed resolution for the approval of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the SGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 202,400,000 Shares.

REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

FUNDING OF REPURCHASES

In exercising the Repurchase Mandate, repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for such purpose in accordance with the applicable laws of Bermuda and the memorandum of association and bye-laws of the Company.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st March, 2002) in the event that the proposed Repurchase Mandate were to be exercised. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels.

SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous twelve months from May 2002 to April 2003 were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2002		
May	0.133	0.106
June	0.133	0.112
July	0.120	0.082
August	0.081	0.051
September	0.085	0.056
October	0.126	0.072
November	0.122	0.100
December	0.130	0.095
2003		
January	0.119	0.088
February	0.120	0.076
March	0.100	0.061
April	0.111	0.090

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase the Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda, and in accordance with regulations set out in the memorandum of association and bye-laws of the Company.

EFFECT OF THE TAKEOVERS CODE

If as a result of the Company exercising its powers to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. The Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised in full.

Upon Completion, Coastal International will hold 497,561,600 Shares directly and 46,080,000 Shares through its subsidiary Glory View Investments Limited and 484,210,527 Shares through Coastal Enterprise Group Limited, representing an aggregate of approximately 50.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consolidation Shares. In the event that the Directors should exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding of Coastal International in the Company would be increased to approximately 56.43% of the then issued share capital of the Company. The Directors consider that such an increase would not give rise to an obligation on the part of Coastal International to make a mandatory offer under Rule 26 of the Takeovers Code.

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquires, any of their associates (as defined in the Listing Rules) have any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company nor has undertaken not to sell any of the Shares held by them to the Company in the event that the Repurchase Mandate is approved by Shareholders.

REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company or any of its subsidiaries (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and on Completion were and will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
1,500,000,000 Shares as at the Latest Practicable Date	150,000,000
3,000,000,000 Shares upon Completion	300,000,000
 <i>Issued and to be issued (fully paid or credited as fully paid) upon Completion:</i>	
1,024,000,000 Shares in issue as at the Latest Practicable Date	102,400,000
<u>1,000,000,000</u> Consideration Shares to be issued upon Completion	<u>100,000,000</u>
<u><u>2,024,000,000</u></u> Shares	<u><u>202,400,000</u></u>

All Shares in issue on the date of allotment and issue of the Consideration Shares and the Consideration Shares to be issued will rank pari passu in all respects, including voting rights and entitlements to dividends and distribution.

3. DISCLOSURE OF INTERESTS

I. Directors

As at the Latest Practicable Date, the interest and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) *Interests in the Shares*

Name of director	Notes	Number of shares held and nature of interest	
		Personal	Corporate
Chan Boon Teong	(a) and (b)	–	543,680,000
Jiang Ming	(a) and (b)	–	543,680,000
Tao Lin	(a) and (b)	–	543,680,000
Cheng Wing Bor	(a) and (b)	–	543,680,000
Lin Chen Hsin	(a) and (b)	480,000	543,680,000

Notes:

- (a) 497,600,000 Shares are beneficially owned by Coastal International, of which the issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming (such interest is also deemed to be interested by Madam Yang Sun Xin, the spouse of Jiang Ming), 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Limited (the entire issued voting share capital of which is held by Jiang Ming (such interest is also deemed to be interested by Madam Yang Sun Xin, the spouse of Jiang Ming)) and 7.5% by Roseford Resources Limited (the entire issued voting share capital of which is held by Coastal International). These 497,600,000 Shares represent an aggregate of 48.59% of the issued share capital of the Company.
- (b) 46,080,000 Shares are beneficially owned by Glory View Investments Limited, the entire issued share capital of which is held by Coastal International. The entire issued voting share capital of Coastal International is held in the manner as stated in the foregoing note (a). These 46,080,000 Shares represent an aggregate of 4.5% of the issued share capital of the Company.

(b) *Interests in the non-voting deferred shares of HK\$1 each in Coastal Realty Development Co. Limited, a subsidiary of the Company*

Name of director	Note	Number of shares held and nature of interest	
		Personal	Corporate
Chan Boon Teong	(c)	6,000,000	5,000,000
Jiang Ming	(c)	4,000,000	5,000,000
Lin Chen Hsin	(c)	1,000,000	5,000,000
Tao Lin	(c)	–	5,000,000
Cheng Wing Bor	(c)	–	5,000,000

Note (c): 5,000,000 non-voting deferred shares are held by Chunghwa Electronics Co, Ltd., which is 97% owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by Coastal International.

(c) *Options*

As at the Latest Practicable Date, the Directors had the following personal interests in the options to subscribe for Shares:

Name or category of participant	Number of share options at 30th September, 2002	Exercise price of share options HK\$
<i>Directors</i>		
Chan Boon Teong	6,400,000	0.20
Jiang Ming	6,400,000	0.20
Tao Lin	6,400,000	0.20
Cheng Wing Bor	6,400,000	0.20
Lin Chen Hsin	1,600,000	0.20
	27,200,000	

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors had interests in any securities of the Company or any of its associates corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or

short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

- (d) As at the Latest Practicable Date, save for the Unicorn Agreement and the Carry Agreement, none of the Directors was materially interested in any contracts or arrangements which were subsisting at the Latest Practicable Date and were significant in relation to the business of the Group.
- (e) As at the Latest Practicable Date, save for the Carry Acquisition and the Unicorn Acquisition, none of the Directors had any direct or indirect interest in any assets which had been, since 31st March, 2002 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to any member of the Group.

II. Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Note	Number of Shares held	Percentage of interests
Coastal International	(a)	543,680,000	53.09%

Note:

- (a) Please refer to notes (a) and (b) in the sub-paragraph headed "Directors" in the paragraph headed "Disclosure of interests" above.

III. OTHERS

- (a) As at the Latest Practicable Date, First Securities, PricewaterhouseCoopers and the Valuer were not beneficially interested in the share capital of any member of the Group nor any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, none of First Securities, PricewaterhouseCoopers nor the Valuer had any direct or indirect interest in any assets which had been, since 31st March, 2002 (the date to which the latest published audited consolidated accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

- (c) Save as disclosed in this circular, there is no contract or arrangement which the Directors are indirectly interested and is significant in relation to the business of the Group as at the Latest Practicable Date.

4. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group and are or may be material:

- (a) the China Max Agreement;
- (b) the Carry Agreement; and
- (c) the Unicorn Agreement.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2002 (the date to which the latest published audited consolidated accounts of the Group have been made up).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

The three-year service contracts with each executive Director expired on 29th September, 2000 and were renewed for a further term of three years expiring on 29th September, 2003.

8. QUALIFICATIONS

The qualification of the experts who have given opinion in this circular and whose names are included in this circular are as follows:

Name	Qualification
First Securities (HK) Limited	deemed licensed corporation under the SFO
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Registered Professional Surveyors

9. CONSENTS

Each of First Securities, PricewaterhouseCoopers and the Valuer has given and has not withdrawn their written consents to the issue of this circular with the inclusion of and references to their names and letters or reports in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Room 502, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong.
- (c) The branch share registrar and transfer office of the Company is Tengis Limited located at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong.
- (d) The company secretary of the Company is Mr Cheng Wing Bor, who is an associate member of Hong Kong Society of Accountants and a fellow of the Chartered Association of Certified Accountants, the United Kingdom.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room 502, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong up to and including 9th June, 2003 and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Unicorn Agreement;
- (c) the Carry Agreement;
- (d) the China Max Agreement;
- (e) the service contracts referred to in the paragraph headed "Service contracts" in this appendix;
- (f) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 21 of this circular;

- (g) the letter of advice from First Securities to the Independent Board Committee, the text of which is set out on pages 22 to 34 of this circular;
- (h) the accountants' reports of Unicorn Power Limited, Carry Investment Limited, China Max Development Limited and Tangshan New Island Tourism Development Company Limited, the text of which is set out on pages 35 to 59 of this circular;
- (i) the statement of adjustments for the accountants' report of the Joint Venture Company;
- (j) the unaudited interim report of the Group for the six months period ended 30th September, 2002 and the audited consolidated financial statements of the Group for each of the financial years ended 31st March, 2001 and 31st March, 2002 respectively; and
- (k) the written consents referred to in the paragraph headed "Consents" in this appendix.

NOTICE OF SGM



COASTAL REALTY GROUP LIMITED

*(Proposed to be renamed as Coastal Greenland Limited)
(Incorporated in Bermuda with limited liability)*

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Coastal Realty Group Limited (the “**Company**”) will be held at 10:30 a.m. on 9 June 2003 at Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions no. 2, 3, 4, 5 and 6 as ordinary resolutions and resolution no. 1 as a special resolution:

1. SPECIAL RESOLUTION NO. 1

“**THAT**

- (a) subject to and conditional upon the approval of the Registrar of Companies in Bermuda being obtained, the name of the Company be and is hereby changed to “Coastal Greenland Limited” and the Chinese name of “沿海綠色家園有限公司” be and is hereby adopted for identification purpose and for registration purpose under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and
- (b) the directors (the “**Directors**”) of the Company be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the change of name and the adoption of Chinese name of the Company.”

2. ORDINARY RESOLUTION NO. 2

“**THAT** the authorised share capital of the Company be and is hereby increased from HK\$150,000,000 divided into 1,500,000,000 Shares to HK\$300,000,000 by the creation of an additional 1,500,000,000 unissued Shares.”

NOTICE OF SGM

3. ORDINARY RESOLUTION NO. 3

“**THAT** subject to the passing of ordinary resolution no. 2 above:

- (a) (i) the agreement (the “**Unicorn Agreement**”, a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) dated 17 April 2003 and entered into between (i) Coastal Enterprise Group Limited; and (ii) the Company in relation to the sale and purchase of (i) 20% of the issued share capital of Unicorn Power Limited; and (ii) 20% of the shareholders’ loan owed by Unicorn Power Limited as at completion of the Unicorn Agreement to Coastal Enterprise Group Limited;
- (ii) the agreement (the “**Carry Agreement**”, a copy of which has been produced to this meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) dated 17 April 2003 and entered into between (i) Coastal Enterprise Group Limited; (ii) Wong Fei Fu; and (iii) the Company in relation to the sale and purchase of (i) the entire issued share capital of Carry Investment Limited; and (ii) the aggregate amount of the shareholders’ loan owed by Carry Investment Limited as at completion of the Carry Agreement to Coastal Enterprise Group Limited and Wong Fei Fu; and
- (iii) the agreement (the “**China Max Agreement**”, a copy of which has been produced to this meeting marked “C” and signed by the chairman of the meeting for the purpose of identification, and which, together with the Unicorn Agreement and the Carry Agreement, the “**Acquisition Agreements**”) dated 17 April 2003 and entered into between (i) Cheang Sin Nga; (ii) Huang Bin; and (iii) the Company in relation to the sale and purchase of (i) 70% of the issued share capital of China Max Development Limited; and (ii) 70% of the shareholders’ loan owed by China Max Development Limited as at completion of the China Max Agreement to Cheang Sin Nga and Huang Bin,

and the transactions contemplated by the Acquisition Agreements be and are hereby approved;

- (b) the allotment and issue of an aggregate of 1,000,000,000 shares (the “**Consideration Shares**”) of HK\$0.10 each in the capital of the Company credited as fully paid at HK\$0.10 per Consideration Share, as to (i) 484,210,527 Consideration Shares to Coastal Enterprise Group Limited; (ii) 147,368,421 Consideration Shares to Wong Fei Fu; (iii) 184,210,526 Consideration Shares to Cheang Sin Nga; and (iv) 184,210,526 Consideration Shares to Huang Bin pursuant to the Acquisition Agreements be and is hereby approved and that the Consideration

NOTICE OF SGM

Shares shall, when allotted and issued, rank pari passu in all respects with all other shares (the “**Shares**”) of HK\$0.10 each in the capital of the Company in issue on the date of such allotment and issue; and

- (c) the Directors be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Acquisition Agreements.”

4. ORDINARY RESOLUTION NO. 4

“**THAT**

- (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution as enlarged by the allotment and issue of the Consideration Shares; and
 - (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of

NOTICE OF SGM

this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of that resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (the **“Companies Act”**) or any other applicable law of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. ORDINARY RESOLUTION NO. 5

“THAT:

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Act and

NOTICE OF SGM

all other applicable laws in this regard, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution as enlarged by the allotment and issue of the Consideration Shares and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law of Bermuda to be held; or
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

6. ORDINARY RESOLUTION NO.6

“**THAT**

the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

By Order of the Board
Coastal Realty Group Limited
Chan Boon Teong
Chairman

Hong Kong, 13th May, 2003

NOTICE OF SGM

Head office and principal place of business

in Hong Kong:

Room 502
Bank of East Asia Harbour View Centre
56 Gloucester Road
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

- (1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrars of the Company, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 48 hours before the time appointed for holding the meeting.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the special general meeting.
- (4) In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of Shares under the Listing Rules. The Directors have no immediate plans to issue any new Shares other than the Consideration Shares and Shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of whole or part of a dividend which may be approved by shareholders.
- (5) In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase Shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix IV to this circular.