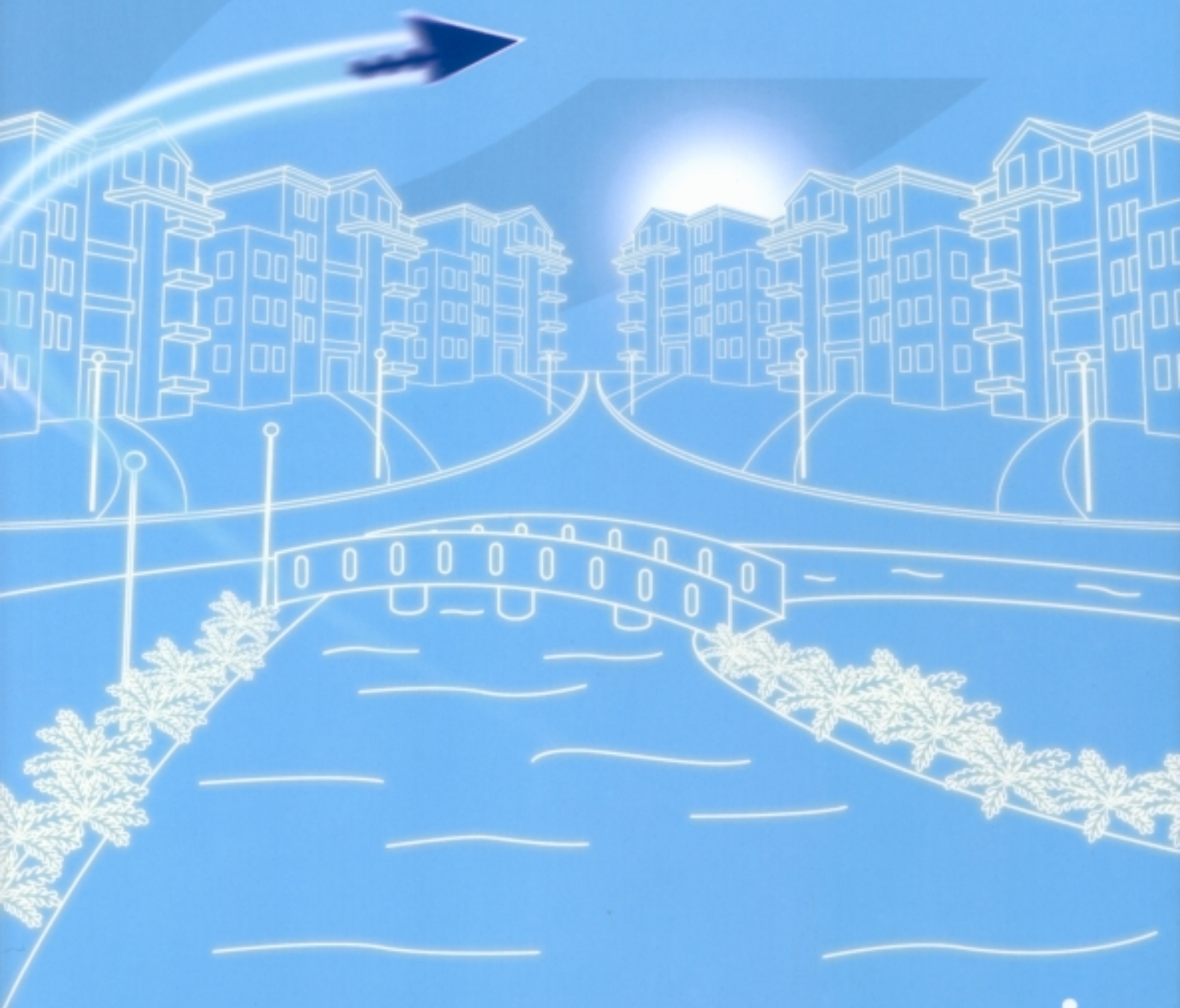




沿海物業集團有限公司 Coastal Realty Group Limited

(incorporated in Bermuda with limited liability)



Annual Report 1999/2000

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Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1402, World-Wide House
19 Des Voeux Road Central
Hong Kong

PRINCIPAL REGISTRARS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

REGISTRARS IN HONG KONG

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

EXECUTIVE DIRECTORS

Mr. CHAN Boon Teong (*Chairman*)
Mr. JIANG Ming (*Vice Chairman*
& *Managing Director*)
Mr. TAO Lin
Mr. SHEA Lam Sui
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin

NON-EXECUTIVE DIRECTORS

Mr. ZHENG Hong Qing
Mr. LIN Chen Chun
Mr. LIN Bao Sheng
Mr. WEI Xiang Di

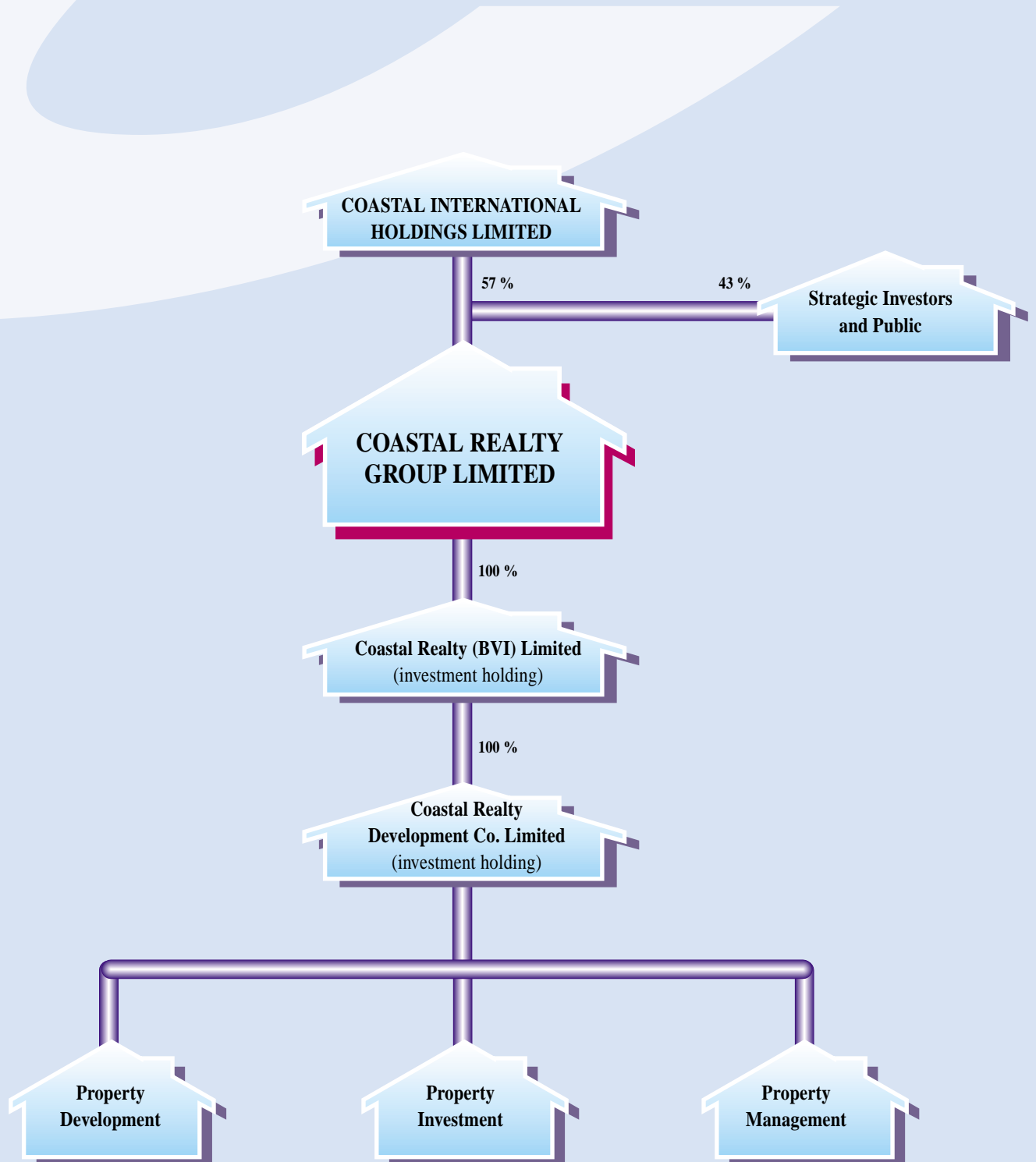
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Ying Ho, Kennedy
Mr. TANG Lap Yan

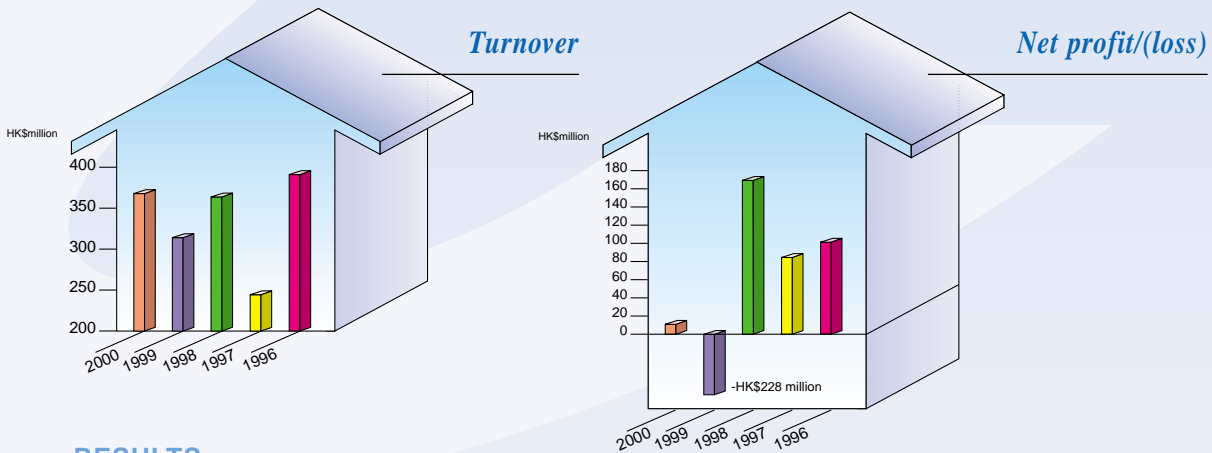
COMPANY SECRETARY

Mr. CHENG Wing Bor,
FCCA, AHKSA

Shareholding Structure and Major Operations



Financial Highlights



RESULTS

The following is a summary of the published combined/consolidated results of the Group for the five financial years ended 31 March 2000, which have been prepared on the basis set out in note 1 below.

	Year ended 31 March				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	369,665	314,022	361,300	243,470	391,854
Profit/(loss) before tax	17,793	(260,932)	187,844	106,878	120,003
Net profit/(loss) from ordinary activities attributable to shareholders	10,379	(228,794)	171,000	82,313	100,505
Dividends	—	—	25,600	33,000	60,000

ASSETS AND LIABILITIES

	As at 31 March		
	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000
Total assets	3,289,360	3,548,669	4,021,515
Total liabilities and minority interests	(949,073)	(1,132,617)	(1,242,678)
Net assets	2,340,287	2,416,052	2,778,837

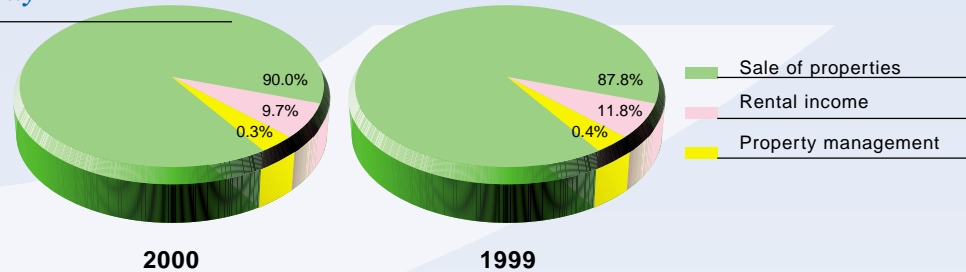
Note 1: Pursuant to a group reorganisation in preparation for the listing of the Shares in the Company on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group since 20 September 1997. The summary of the combined results of the Group for the two years ended 31 March 1997 have been extracted from the Company's prospectus dated 30 September 1997. Such summary was prepared based on the audited financial statements of all the companies now comprising the Group, after appropriate adjustments and reclassifications, as if the present group structure were in existence since 1 April 1995. The results of the Group for the year ended 31 March 2000 are those as set out on page 28 of the Annual Report.

Note 2: To date the only published audited consolidated balance sheets of the Group are that as at 31 March 1998, 1999 and 2000. The consolidated balance sheet of the Group as at 31 March 2000 together with the comparative figures as at 31 March 1999, is set out on pages 30 to 31 of the Annual Report.

Financial Highlights

ANALYSIS OF TURNOVER AND PROFIT/(LOSS)

Turnover by activity



Turnover by activity

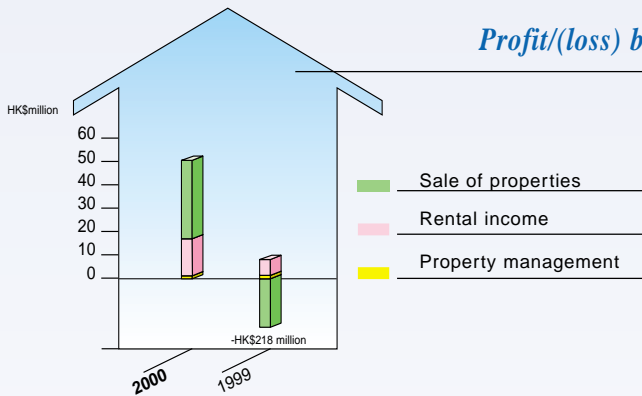
- Sale of properties
- Rental income
- Property management

Year ended 31 March
2000 1999
HK\$'000 HK\$'000

332,712	275,898
35,902	36,990
1,051	1,134

Total

369,665	314,022
----------------	----------------



Profit/(loss) before tax by activity

Profit/(loss) before tax by activity

- Sale of properties
- Rental income
- Property management

Year ended 31 March
2000 1999
HK\$'000 HK\$'000

34,982	(217,965)
17,160	8,667
256	321

52,398	(208,977)
---------------	------------------

Finance costs

(34,239)	(50,748)
-----------------	-----------------

Share of profits less losses
of jointly-controlled entities

(366)	(1,207)
--------------	----------------

Profit/(loss) before tax

17,793	(260,932)
---------------	------------------

Chairman's Statement

On behalf of Coastal Realty Group Limited and its subsidiaries (collectively the "Group"), I am pleased to present my report on the operations of the Group for the year ended 31 March 2000 as follows.



RESULTS

During the financial year ended 31 March 2000, the Group has shown improvement in its performance. Turnover has increased by 17.72% from last year to approximately HK\$370 million and results have turned around from a loss in last year to a profit of approximately HK\$10 million for the year.

No interim dividend was paid during the year and the Board of Directors does not recommend the payment of a final dividend for the year.

BUSINESS REVIEW

It has been another difficult year for the Group since the outburst of the Asian financial crisis, although the Group has shown improvement in its performance. The adjustment of the PRC property market is believed to have bottomed out. The overall buying sentiment for PRC property has improved, especially for domestic residential market. However, the market remains to be highly competitive as the supply is still dominating the market.

The Group's strategy of shifting the target customers to local PRC buyers has started to pay off. Favourable responses have been received from local PRC buyers from the launching for sales of Phase I of Shenzhen Dragon Court, Phase II of Xiamen Lu Jiang New City and Phase I of Anshan Greenland IT City and up to the end of the year, about 89%, 66% and 65% of the GFA respectively in these developments were sold or pre-sold.

Over the last two years, the Group's business strategy and market positioning of its developments have been to provide quality residential estates with green and comfortable environment and modern home intelligent facilities at affordable prices to the middle class PRC households. In alignment with this business strategy and market positioning, the

Chairman's Statement

Group has, during the year, renamed its PRC operating subsidiaries to convey these corporate goals. The Group has also taken measures to strengthen its competitiveness in the marketplace, which include the implementation of stringent cost control procedures and quality assurance procedures and the reduction of the Group's debt level. The effect of these measures has been reflected in the improvement in the performance of the Group during the year.

For property leasing, pressure on rental rate originated from oversupply of properties in the market continues. Revenue generated from leasing of the Group's properties has dropped by 3% from last year.

PROSPECT

With China's impending accession to the World Trade Organization ("WTO") it is expected that the PRC economy will be buoyed up as more foreign companies start to enter or re-enter into the PRC market. In turn, demand for residential and office properties is expected to pick up gradually.

The PRC central government's continuing determination to boost the economy and the lower interest rate environment in the PRC financial market will provide an attractive business environment for local and foreign investment. The improvement in the living standards and the increase in household income in the major cities of the PRC will continue to stimulate the housing demand. All these are expected to benefit the Group's operation directly or indirectly in the coming years. In respect of property development, the Group will continue its current business strategy by focusing on developing middle class residential properties for domestic buyers in the PRC major cities and seeking for new additions to landbank and new development projects.

Amid a technology driven economy, the Group is also exploring potential business opportunities in the PRC that might integrate with the Group's property business.

On the whole, the Group is optimistic about its future development and is planning cautiously the pace of its developments with a view to enhancing its profitability.

Chairman's Statement

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow directors and staff for their contribution and cordial support to the Group throughout the year.

Chan Boon Teong

Chairman

Hong Kong

28 August 2000

Management Discussion and Analysis

BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$370 million for the financial year ended 31 March 2000, representing an increase of 17.72% over that of last year. Of the turnover, 90.00% came from the sale of properties, 9.71% came from the lease of properties and the remaining 0.29% came from property management. An analysis of the turnover is set out below:

	Year ended 31 March			
	2000		1999	
	Turnover HK\$'000	Percentage	Turnover HK\$'000	Percentage
Sale of properties	332,712	90.00%	275,898	87.86%
Rental income	35,902	9.71%	36,990	11.78%
Property management	1,051	0.29%	1,134	0.36%
Total	369,665	100.00%	314,022	100.00%

For the sale of properties, a turnover of approximately HK\$333 million was recorded for the year, an increase of about 21% as compared to that of last year. The increase is mainly attributable to the increase in pre-sales and sales of Phase I of Shenzhen Dragon Court and Phase II of Xiamen Lu Jiang New City and the successful launching for pre-sale of Phase I of Anshan Greenland IT City. The sale revenue from these three developments accounted for about 37%, 20% and 32% of the turnover for sale of properties respectively. The remaining 11% mainly came from the sales of Shanghai Golden Bridge Garden, Phase I of Xiamen Lu Jiang New City, Xiamen Linzi Mansion and Xiamen Xiang Jiang Garden.

Rental income has dropped by about 3% from last year. The decrease was mainly attributable to lesser rental income derived from Wuhan Wah Zhong Trade Plaza and Shanghai Golden Bridge Mansion during the year. The weak economic environment and oversupply of properties in the leasing market exerted heavy pressure on rental rates for Wuhan Wah Zhong Trade Plaza and Shanghai Golden Bridge Mansion. Shanghai Golden Bridge Garden was the main rental income contributor which accounted for about 66% of the rental income for the year. The balance was respectively contributed by Wuhan Wah Zhong Trade Plaza, Shanghai Golden Bridge Mansion and Hong Kong World-Wide House at a percentage of about 18%, 10% and 6% of the rental income for the year.

Management Discussion and Analysis

For property management, a drop of about 7% from last year was recorded. Property management continues to be insignificant for the Group in terms of revenue contribution. During the year, there has been no significant changes in the property management services provided by the Group. The drop in the revenue was due to a change in the calculation basis for the property management remuneration for Xiamen Xiang Jiang Garden and Linzi Mansion that the remuneration is now based on the amount of building management fees after deducting sales tax instead of on the amount before sales tax deduction.

The Group has recorded a net profit attributable to shareholders of approximately HK\$10 million for the year, a turn-around from last year's net loss of approximately 229 million. The improvement in the results was mainly attributable to the following:

1. Satisfactory results achieved from the launching for sales of the Group's developments targeting at domestic markets, namely Phase I of Anshan Greenland IT City and Phase II of Xiamen Lu Jiang New City.
2. Financial expenses were reduced resulting from the lowering in the Group's debt level.
3. No further provision for diminution in value of assets was required to be charged to the profit and loss account for the year.
4. A write-back of sales tax accrued for the sales of Shanghai Golden Bridge Garden in prior year arising from a sales tax exemption, a fiscal measure introduced by the local government in Shanghai with an aim to stimulating the real estate market in late 1999.

The Group's jointly-controlled entities are still making negative contributions to the Group. However, the losses from these jointly-controlled entities for the year had been narrowed down to HK\$0.37 million from last year's HK\$1.21 million.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

Over the past few years, the Group has been continuously adjusting its property portfolio to cope with the market demand whereby the Group focuses on developing quality residential estates well-equipped with ancillary facilities for the middle class PRC households at affordable prices. A summary of the Group's major properties and development projects is set out below.

Management Discussion and Analysis

Shenzhen Dragon Court

Phase I (Tower I) of Shenzhen Dragon Court is a residential/ retail building with a total gross floor area ("GFA") of 25,322 sq.m. Construction of Phase I was completed in March 2000. Up to the end of the year, about 89% of the GFA was sold.

The construction of Phase II (Tower II) of Shenzhen Dragon Court is planned to be started in September 2000. It is expected that Phase II will be completed in May 2002. Phase II will provide a total GFA of approximately 29,260 sq.m. of residential and office/commercial area.

Xiamen Lu Jiang New City

Xiamen Lu Jiang New City is a residential estate with ancillary facilities being developed by the Group in four phases. To cope with the changes in market demand and local building regulations, the development plan of Phase IV was changed from high-rise buildings to low density residential estate. The new plan for Phase IV will provide a total GFA of approximately 49,118 sq.m.

The construction of Phase I of Lu Jiang New City was completed in June 1998 with a total GFA of 17,297 sq.m. and as at the end of the year all the GFA in Phase I was sold.

The construction of Phase II was completed in August 2000. Phase II has a total GFA of approximately 42,013 sq.m. Pre-sale of Phase II was started in January 1999 and up to the end of the year about 66% of the GFA was pre-sold.

The preparation work for the construction of Phase III and Phase IV is in progress and Phase III and Phase IV will provide a total GFA of approximately 79,128 sq.m. Pre-sale of Phase III is expected to be started in December 2000.

Xiamen Xiang Jiang Garden

Xiamen Xiang Jiang Garden is a residential/ commercial development completed in December 1993. Over 94% of the GFA in the development was sold. The remaining area is mainly car parking area in the basements, which is currently being operated as a public car park by the Group.

Xiamen Linzi Mansion

Xiamen Linzi Mansion is a residential building completed in July 1994. As at the end of the year, 99% of the GFA in the project was sold. The remaining area unsold is insignificant.

Management Discussion and Analysis

Fuzhou Roman Garden (Formerly known as Fuzhou New Era Tower)

As reported in last year that due to the drastical changes in market conditions and demand, the Group decided to change the development plan of this project from a 50-floor commercial/ office building with a structure on the roof top for retail use and 6 levels of basement with car parking spaces to a residential building with 2 levels of basement. The new development will provide a total GFA of about 39,787sq.m.

The construction of the project is in progress and is expected to be completed in March 2002.

Shanghai Golden Bridge Garden

Shanghai Golden Bridge Garden is a residential/ commercial development completed in November 1997 with a total GFA of 65,908 sq.m. Together with the sales of a total GFA of 2,398 sq.m. residential area made during the year, up to the end of the year about 66% of the GFA in the project was sold. The remaining area of 22,169 sq.m. is held for sale, of which 8,071 sq.m. is car parking area in the basement. Pending sale, certain of the unsold area was leased to generate rental income.

In respect of the GFA sold, the Group is entitled to the use right of a total GFA of 24,523 sq.m. sold in block to a purchaser in last year for a term of 3 years commencing from 4 August 1999 in consideration for a payment of HK\$18.5 million by the Group to the purchaser under an agreement with the purchaser. A substantial part of this GFA was leased by the Group to generate rental income.

Shanghai Golden Bridge Mansion

Shanghai Golden Bridge Mansion is a residential/ commercial development developed by an independent PRC developer. As at the end of the year, the Group held for sale in the development a total GFA of about 7,365 sq.m. The area comprises commercial area on level 1 to level 4 in the podium of the building and 70 car parking spaces in the basements. Pending sale, a substantial part of the commercial area held by the Group was leased to third parties and the car parking spaces are being operated as a public car park by the Group.

Shanghai Belgravia Court, Block 2

Shanghai Belgravia Court, Block 2 is a residential building developed by an independent PRC developer. Most of the GFA in the building had been sold by the Group and as at the end of the year, the Group held for sale in the building a total GFA of 941 sq.m.

Management Discussion and Analysis

Wuhan Wah Zhong Trade Plaza

Wuhan Wah Zhong Trade Plaza is a 9-floor commercial/ office building with a total GFA of 79,985 sq.m. completed by the Group in December 1996. Up to the end of the year about 20% of the GFA was sold. Of the unsold portion, 45,359 sq.m., representing about 57% of the total GFA, is commercial area and is held by the Group as an investment property. The remaining 23% is office area and car parking area in the basement and is held by the Group for sale.

During the year, the commercial area on level 1 to 6 of the development was leased by parts to various tenants and in terms of net leasable area an average occupancy rate of about 70% was maintained.

Qingdao Xiang Hai Garden

The Group has a 50% interest in Qingdao Xiang Hai Garden, which is to be developed in four phases. Phase I which comprises a 7-floor residential/ retail building with a total GFA of 7,891 sq.m. was completed in November 1994. Up to the end of the year, about 76% of the GFA was sold. Sale of the development has been slow owing to sluggish market condition.

According to an agreement reached in 1998 between the Group and the joint venture partners of the development, construction of Phase II would be started when 90% of the GFA in Phase I was sold. In view of the current sale status, construction of Phase II has not been started.

Since the scale of the development is relatively small and the Group has only 50% interests in the development, the effect of the slow down in the progress of the project was not significant to the Group.

Anshan Greenland IT City

Anshan Greenland IT City is one of the designated "Year 2000 Urban and Rural Residential Housing Technological Industry Projects". The development is being developed in phases into a large scale low density residential estate with ancillary facilities and an attached commercial area.

The construction of Phase I, which provides a total GFA of approximately 91,706 sq.m., was completed in June 2000. As at the end of the year about 65% of the GFA in Phase I was pre-sold.

Management Discussion and Analysis

The construction of Phase II, which provides a total GFA of approximately 92,253 sq.m., was started in January 2000 and is scheduled to be completed in March 2001. Pre-sale of Phase II was started in February 2000 and has been progressing satisfactorily.

As the sales of this development have been performing well, the Group has sought to increase its interest in this development and has successfully entered into an agreement with the minority shareholder to reduce its proportionate equity interest in this project from 20% to 4% during the year, making the Group's percentage of interest in this development amounting to 96%.

Hong Kong World-Wide House

The property is an office situated adjacent to the Group's existing office in World-Wide House with a saleable area of 165 sq.m. and is held by the Group as an investment property. The property has been leased to a third party for a term of two years expiring on August 2001.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

The Group has been continuously deploying its land reserves cautiously to cope with the market demand. The Group has started the development of Greenland IT City Phase II in Anshan and Lu Jiang New City Phase IV in Xiamen, reflecting in a decrease in the site area of approximately 59,428 sq.m. in the landbank held by the Group. The remaining landbank of the Group are located in Wuhan, Anshan and Qingdao of which the site area and estimated GFA are set out below:

Landbank	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Interests of the development attributable to the Group
Wuhan - Seven parcels of land	466,700	2,333,500	100%
Anshan - Greenland IT City (excluding Phase I & II)	149,107	260,328	96%
Qingdao - Xiang Hai Garden, Phases III & IV	13,866	43,721	50%
Total	629,673	2,637,549	

Management Discussion and Analysis

Based on the plot ratios stated in the relevant land grant contract, land use right certificate or approval issued by a competent authority, the above landbank are capable of being developed into properties with a total GFA of approximately 2.64 million sq.m. The sites are expected to be developed into residential/ commercial developments to meet with the market demand for different types of properties then prevailing.

The Group has also been continuously seeking for additions to its landbank. Currently, the Group is negotiating to acquire certain land parcels in major cities of PRC. However, it is not certain at this stage that any of them will be sealed eventually.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's principal source of fund comes from the cashflow generated from property sales and leasings supplemented by bank borrowings. It is expected that the funding structure of the Group's operations will remain unchanged in the coming year. As at 31 March 2000 the net borrowings of the Group, being bank and other borrowings less cash and bank balances and bank deposits, amounted to about HK\$457 million and the net debt to equity ratio is about 20% which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$2,340 million.

YEAR 2000 COMPLIANCE

The Group's Year 2000 compliance programme and progress were reported in the prior year annual report and interim report. No business disruption was encountered by the Group before, during and after the turn of the century. The cost incurred on rectification for the Year 2000 issue by the Group is not significant.

Biography of Directors

EXECUTIVE DIRECTORS

Mr. Chan Boon Teong, aged 58 is the chairman of the Group and one of the founders of the Group. He is responsible for corporate direction and development of the Group's business. He graduated from the Imperial College of the University of London, United Kingdom with a Bachelor's degree in Electrical Engineering and also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City, United States of America. He has over 30 years' experience in commercial, industrial and real estate business in the Southeast Asia region. He was a director of the Kowloon Stock Exchange. He is also a director of TPV Holdings Limited, a listed company in Hong Kong, and a director of United World Chinese Commercial Bank Limited, a listed company in Taiwan. Mr. Chan is a member of the National Chinese People's Political Consultative Conference and a member of the Standing Committee of the Fujian Province Chinese People's Political Consultative Conference. He is also a member of the 8th Standing Committee of the Overseas Chinese Association in the PRC.

Mr. Jiang Ming, aged 42, is the deputy chairman and managing director of the Group and one of the founders of the Group. He is responsible for strategy planning and the overall management of the Group. He graduated from the National University of Singapore with a Master's degree in Business Administration. He has over 16 years' experience in investment and corporate management. Prior to the establishment of the Group, he was a general manager of a joint venture enterprise in the PRC for over 7 years. He is a vice-chairman of the Fujian Province Foreign Enterprises Association and an Honorary Professor at the Wuhan University. Mr. Jiang is a member of the Fujian Province Chinese People's Political Consultative Conference.

Mr. Tao Lin, aged 42, is the deputy managing director of the Group. He is responsible for investment planning, investment management and project development of the Group. He has over 12 years' experience in investment and management. He graduated from the Beijing Communication Engineering College (北京信息工程學院). Before joining the Group in 1991, he had served as an operation officer in a software development company in the PRC.

Mr. Shea Lam Sui, aged 69, is responsible for supervising the operations, finance and audit of the Group. He has over 42 years' experience in financial management as well as in import and export trading and manufacturing. He joined the Group in 1990.

Biography of Directors

Mr. Cheng Wing Bor, aged 40, is the financial controller of the Group. He is responsible for the financial and accounting management of the Group. He has over 14 years' experience in accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic and is an associate member of the Hong Kong Society of Accountants and a fellow of the Chartered Association of Certified Accountants, United Kingdom. Before joining the Group in 1994, he worked in an international accounting firm in Hong Kong for 8 years.

Mr. Lin Chen Hsin, aged 56, is responsible for Hong Kong office administration and the public relations of the Group. He has over 21 years' experience in import and export trading and manufacturing. He graduated from the Shanghai Education Institute (上海教育學院). He joined the Group in 1990.

NON-EXECUTIVE DIRECTORS

Mr. Lin Bao Sheng, aged 58, is a non-executive director of the Company appointed in 1998. Mr. Lin has the title of senior economist in the PRC and has over 31 years' experience in the banking industry in the PRC. He is a deputy chief executive officer of a bank in Fujian, the PRC.

Mr. Wei Xiang Di, aged 44, is a non-executive director of the Company appointed in 1998. Mr. Wei graduated from the Xiamen University (廈門大學) with a Bachelor's degree in Economics. He has the title of senior economist in the PRC and has over 18 years' experience in the banking industry in the PRC. He is a manager of a bank in Fujian, the PRC.

Mr. Zheng Hong Qing, aged 52, is a non-executive director of the Company appointed in 1997. He graduated from the Chinese People's University (中國人民大學) with a Master's degree in Economics. He has held senior positions in various major corporations in the PRC and has extensive business management experience. He is also a director of China Travel International Investment Hong Kong Limited, a listed company in Hong Kong.

Mr. Lin Chen Chun, aged 48, is a non-executive director of the Company appointed in 1997. He has over 22 years' experience in the property field regarding marketing, strategy planning and sales management in Taiwan and the PRC.

Mr. Wong Ying Ho, Kennedy, aged 37, is an independent non-executive director of the Company appointed in 1997. Mr. Wong graduated from the University of Kent, England, with a Bachelor's degree majoring in Law. He is a solicitor of the High Court of Hong Kong and is a China-appointed attesting officer. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co. Solicitors & Notaries.

Biography of Directors

Mr. Tang Lap Yan, aged 55, is an independent non-executive director of the Company appointed in 1997. Mr. Tang is a fellow of the Chartered Institute of Management Accountants, United Kingdom. He was the former chairman of The Chinese Language Press Institute and The Newspaper Society of Hong Kong.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries comprise property development, property investment and the provision of property management services. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year ended 31 March 2000 is as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit from operating activities <i>HK\$'000</i>
By activity:		
Sale of properties	332,712	34,982
Rental income	35,902	17,160
Property management	1,051	256
	<u>369,665</u>	<u>52,398</u>

The Group's turnover and contribution to profit from operating activities for the year were derived from operations in the mainland of the People's Republic of China.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 67.

The directors do not recommend the payment of any dividend in respect of the year.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group is set out on page 4 of the Annual Report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 15 to the financial statements.

PROPERTIES HELD FOR DEVELOPMENT

Details of movements in the properties held for development of the Group are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in notes 12 and 31 to the financial statements.

JOINTLY-CONTROLLED ENTITIES

Particulars of the Group's jointly-controlled entities are set out in note 17 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Group are set out in notes 22 and 23 to the financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the year is set out in note 6 to the financial statements.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2000, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,986,787,000. In addition, the share premium account, with a balance of HK\$289,500,000 at 31 March 2000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 11% of the total sales for the year and sales to the largest customer included therein amounted to 4%. Purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

None of the directors or any of their associates or any shareholders who, to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had a beneficial interest in the Group's five largest customers or five largest suppliers.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chan Boon Teong
Jiang Ming
Tao Lin
Shea Lam Sui
Cheng Wing Bor
Lin Chen Hsin

Non-executive directors:

Zheng Hong Qing
Lin Chen Chun
Lin Bao Sheng
Wei Xiang Di

Independent non-executive directors:

Wong Ying Ho, Kennedy
Tang Lap Yan

In accordance with the Company's bye-laws 87(1), Messrs. Jiang Ming, Zheng Hong Qing, Lin Bao Sheng and Wei Xiang Di will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 16 to 18 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of directors and the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

All of the executive directors have entered into service contracts with the Company for terms of three years commencing 30 September 1997, which will continue thereafter unless and until terminated by either party with three months' prior notice in writing.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS (Continued)

The service contracts with the non-executive directors for a term of two years expired on 30 September 1999. All of the non-executive directors continued to be appointed as non-executive directors without entering into any formal service contracts for specific terms and are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2000, the interests of the directors in the share capital of the Company or its associated companies, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

(i) Interests in the ordinary shares of the Company

Name of directors	Notes	Number of shares held and nature of interest	
		Personal interests	Corporate interests
Chan Boon Teong	(a) and (b)	–	364,800,000
Jiang Ming	(a) and (b)	–	364,800,000
Tao Lin	(a) and (b)	–	364,800,000
Shea Lam Sui	(a) and (b)	2,000	364,800,000
Cheng Wing Bor	(a) and (b)	–	364,800,000
Lin Chen Hsin	(a) and (b)	480,000	364,800,000
Lin Chen Chun		2,846,000	–

Report of the Directors

DIRECTORS' INTERESTS IN SHARES (Continued)

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

Name of directors	Note	Number of shares held and nature of interest	
		Personal interests	Corporate interests
Chan Boon Teong	(c)	6,000,000	5,000,000
Jiang Ming	(c)	4,000,000	5,000,000
Shea Lam Sui	(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

Notes:

- (a) 336,000,000 shares are beneficially owned by Coastal International Holdings Limited ("CIH"), of which the entire issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 10% by Shea Lam Sui, 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). These 336,000,000 shares represented an aggregate of 52.5% of the issued share capital of the Company.
- (b) 28,800,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued share capital is held by CIH. The entire issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 28,800,000 shares represent an aggregate of 4.5% of the issued share capital of the Company.
- (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 CIH. The entire issued voting share capital of Coastal International Holdings Limited is held in the manner as stated in the foregoing note (a).

Save as disclosed above, at 31 March 2000, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance. In addition, no options under the Company's share option scheme approved at a special general meeting of the Company held on 20 September 1997 were granted to, exercised by or held by any director during the year.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, as detailed in note 25 to the financial statements, and which was approved by shareholders at a special general meeting held on 20 September 1997, the directors may, at their discretion, grant options to any director (other than non-executive directors of the Company appointed from time-to-time) or employee of the Group to take up share options to subscribe for shares in the Company. No options were granted under the share option scheme during the year. Subsequent to the balance sheet date, on 20 May 2000, options were granted to certain executive directors and employees, the details of which are set out in note 25 to the financial statements.

Apart from the foregoing, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 year of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of CIH, as disclosed in the section "Directors' interests in share capital" above, no person had registered an interest amounting to 10% or more in the issued share capital of the Company at 31 March 2000 in the register kept by the Company under Section 16(1) of the SDI Ordinance.

Pursuant to a sale and purchase agreement and a supplemental agreement thereto, in respect of the sale by the Group of certain completed properties (the "Properties") to a third party (the "Purchaser"), it was agreed that 20,000,000 shares of the Company will be pledged by CIH to the Purchaser until the legal titles of the Properties have been transferred to the Purchaser.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the Annual Report, except that the non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

Report of the Directors

YEAR 2000 COMPLIANCE

Details of Year 2000 Compliance of the Group are set out on page 15 of the Annual Report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Boon Teong

Chairman

Hong Kong

25 August 2000

Report of the Auditors



To the members

Coastal Realty Group Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 28 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

25 August 2000

Consolidated Profit and Loss Account

Year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	4	369,665	314,022
Cost of sales		(301,028)	(286,809)
Gross profit		68,637	27,213
Other revenue		23,911	10,125
Marketing and selling expenses		(4,901)	(2,522)
Administrative expenses		(30,203)	(34,184)
Other operating expenses		(5,046)	(209,609)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	52,398	(208,977)
Finance costs	6	(34,239)	(50,748)
Share of profits less losses of jointly-controlled entities		(366)	(1,207)
PROFIT/(LOSS) BEFORE TAX		17,793	(260,932)
Tax	9	(1,630)	31,914
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		16,163	(229,018)
Minority interests		(5,784)	224
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10, 26	10,379	(228,794)
EARNINGS/(LOSS) PER SHARE - Basic	11	1.62 cents	(35.75) cents

Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Deficit on revaluation of land and buildings	26	(658)	(25,785)
Deficit on revaluation of investment properties	26	(49,000)	(49,052)
Revaluation reserve eliminated upon reclassification to properties under development	26	(41,576)	–
Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development	26	4,383	–
Net losses not recognised in the profit and loss account		(86,851)	(74,837)
Net profit/(loss) from ordinary activities attributable to shareholders		10,379	(228,794)
Total recognised gains and losses		(76,472)	(303,631)
Capital reserve on acquisition of a subsidiary	26	707	–
		(75,765)	(303,631)

Consolidated Balance Sheet

31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	55,585	53,353
Investment properties	14	422,680	469,700
Properties under development	15	210,216	150,091
Properties held for development	16	1,842,458	1,914,655
Interests in jointly-controlled entities	17	(2,068)	(282)
Long term investment	18	560	560
Pledged deposits	19	11,536	—
		2,540,967	2,588,077
CURRENT ASSETS			
Properties under development for sale	15	108,966	103,244
Completed properties for sale	20	354,001	350,797
Accounts receivable		147,010	373,725
Prepayments, deposits and other receivables		60,768	66,969
Cash and bank balances		77,648	65,857
		748,393	960,592
CURRENT LIABILITIES			
Due to the ultimate holding company	21	52,366	51,242
Accounts payable		52,475	51,359
Tax payable		3,649	6,091
Deposits received		5,611	589
Other payables and accruals		96,997	77,011
Interest-bearing bank and other borrowings	22	472,462	455,442
		683,560	641,734
NET CURRENT ASSETS		64,833	318,858

Consolidated Balance Sheet (Continued)

31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,605,800	2,906,935
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	74,195	229,812
Long term payables	23	178,322	249,476
Deferred tax	24	1,989	1,989
		254,506	481,277
MINORITY INTERESTS		11,007	9,606
		2,340,287	2,416,052
CAPITAL AND RESERVES			
Issued capital	25	64,000	64,000
Reserves	26	2,276,287	2,352,052
		2,340,287	2,416,052

Chan Boon Teong
Director

Jiang Ming
Director

Consolidated Cash Flow Statement

Year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	27(a)	292,335	17,966
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		519	1,213
Interest paid		(52,338)	(75,383)
Dividend paid		–	(25,600)
Net cash outflow from returns on investments and servicing of finance		(51,819)	(99,770)
TAXATION			
Overseas taxes paid		(4,072)	(11,871)
INVESTING ACTIVITIES			
Acquisition of a subsidiary	27(c)	(137)	–
Purchases of fixed assets		(4,649)	(1,445)
Purchases of investment properties		–	(38,752)
Decrease in balances with jointly-controlled entities		1,420	741
Increase in pledged deposits		(11,536)	–
Net cash outflow from investing activities		(14,902)	(39,456)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		221,542	(133,131)
FINANCING ACTIVITIES			
New bank borrowings and other loans	27(b)	211,145	128,250
Repayment of bank borrowings and other loans		(347,929)	(175,845)
Increase/(decrease) in long term payables		(71,154)	2,857
Capital injection by minority shareholders of subsidiaries		–	558
Net cash outflow from financing activities		(207,938)	(44,180)

Consolidated Cash Flow Statement (Continued)

Year ended 31 March 2000

	2000 HK\$'000	1999 HK\$'000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,604	(177,311)
Cash and cash equivalents at beginning of year	55,816	233,127
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>69,420</u>	<u>55,816</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	77,648	65,857
Bank overdrafts	<u>(8,228)</u>	<u>(10,041)</u>
	<u>69,420</u>	<u>55,816</u>

Balance Sheet

31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	12	2,341,039	2,408,021
CURRENT ASSET			
Cash and bank balances		23	9,021
CURRENT LIABILITIES			
Due to the ultimate holding company	21	2	2
Other payables and accruals		773	988
		<u>775</u>	<u>990</u>
NET CURRENT ASSETS/(LIABILITIES)		(752)	8,031
		<u>2,340,287</u>	<u>2,416,052</u>
CAPITAL AND RESERVES			
Issued capital	25	64,000	64,000
Reserves	26	2,276,287	2,352,052
		<u>2,340,287</u>	<u>2,416,052</u>

Chan Boon Teong
Director

Jiang Ming
Director

Notes to Financial Statements

31 March 2000

1. CORPORATE INFORMATION

The principal place of business of Coastal Realty Group Limited is located at Room 1402, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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 STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following Accounting Standards have been adopted for the first time in the preparation of the current year’s consolidated financial statements, together with a summary of their major effects.

- SSAP 1: Presentation of Financial Statements
- SSAP 2: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP 24: Accounting for Investments in Securities

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the profit and loss account and the balance sheets, as set out on pages 28, 30, 31 and 34 respectively, have been revised in accordance with the SSAP, and a statement of recognised gains and losses, not previously required, is included on page 29. Additional disclosures as required are included in the supporting notes to the financial statements.

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of the SSAP on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now primarily disclosed by way of note, and are no longer specifically referred to as “exceptional”.

Notes to Financial Statements

31 March 2000

2. IMPACT OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Continued)

SSAP 24 prescribes the accounting treatment and disclosures for investments in debt and equity securities. For these financial statements, as further explained in the accounting policy note below, the investment in a club membership debenture which is intended to be held on a continuing basis is classified as a long term investment and is stated at cost less provision for diminution in value, other than that considered to be temporary in nature, deemed necessary by the directors. There are no prior period adjustments arising from the adoption of SSAP 24 in these 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 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 2000. 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 have been eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

The Group's investments in co-operative joint ventures, in which the Group is in a position to unilaterally control the management of the joint ventures and is entitled to share more than 50% of the results of the joint ventures, are accounted for in the same manner as subsidiaries.

Notes to Financial Statements

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures

A joint venture is a contractual arrangement whereby the Group 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.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

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 post-acquisition 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 provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Capital reserve

The capital reserve arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration, and is credited to capital reserve in the year of acquisition.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. 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.

Notes to Financial Statements

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

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

Properties under development, for which pre-sales have not yet commenced, are stated at cost less provisions for permanent diminutions in values, if any, deemed necessary by the directors. 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.

Notes to Financial Statements

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development (Continued)

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/instalments received, with due allowances for contingencies.

Properties held for development

Properties held for development are stated at cost, or at carrying value less provisions for permanent diminutions in values, if any, deemed necessary by the directors. Carrying value represents the valuation made by independent professional valuers, C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited) as at 31 March 1995 on an open market basis.

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.

Operating leases

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. All other rentals 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 provision for diminution in value, other than that considered to be temporary in nature, deemed necessary by the directors on an individual investment basis. Provisions are recognised immediately in the profit and loss account.

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.

Notes to Financial Statements

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capitalisation of 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. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the profit and loss account 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) sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (b) 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";
- (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.

Notes to Financial Statements

31 March 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. 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 rental income and property management income.

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Sale of properties	332,712	275,898
Rental income	35,902	36,990
Property management	1,051	1,134
	369,665	314,022

Notes to Financial Statements

31 March 2000

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Cost of properties for sale sold	151,517	209,330
Depreciation	2,567	2,974
Less: Amounts capitalised in properties under development	(478)	(424)
	<u>2,089</u>	<u>2,550</u>
Operating lease rentals for land and buildings	781	1,851
Less: Amounts capitalised in properties under development	(412)	(644)
	<u>369</u>	<u>1,207</u>
Auditors' remuneration	850	700
Staff costs (including directors' remuneration - note 7)	19,712	18,273
Less: Amounts capitalised in properties under development	(8,492)	(7,568)
	<u>11,220</u>	<u>10,705</u>
Provision and write-off for diminutions in values of:		
– properties under development	–	168,178
– completed properties for sale	–	20,647
	<u>–</u>	<u>188,825</u>
Provision for doubtful debts	1,648	10,000
Revaluation deficit on leasehold land and buildings	–	2,766
Loss on disposal of fixed assets	46	179
	<u>1,694</u>	<u>12,945</u>
and after crediting:		
Revaluation surplus on leasehold land and buildings	854	–
Interest income	519	1,213
Gross rental income	35,902	36,990
Less: Outgoings	(6,990)	(2,474)
Net rental income	<u>28,912</u>	<u>34,516</u>

Notes to Financial Statements

31 March 2000

6. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	52,338	75,383
Amounts capitalised in properties under development	(18,099)	(24,635)
	34,239	50,748

7. 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	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	100	60
Executive directors' other emoluments:		
Basic salaries and bonus	5,489	5,578
Housing benefits, other allowances and benefits in kind	1,216	1,206
	6,805	6,844

The amounts disclosed above include directors' fees of HK\$60,000 (1999: HK\$20,000) payable to the independent non-executive directors.

Notes to Financial Statements

31 March 2000

7. DIRECTORS' REMUNERATION (Continued)

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

	Number of directors	
	2000	1999
Nil - HK\$1,000,000	8	10
HK\$1,000,001 - HK\$1,500,000	2	2
HK\$1,500,001 - HK\$2,000,000	2	2
	<u>12</u>	<u>14</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year, except that all of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$60,000 (1999: HK\$60,000) for the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (1999: four) directors, details of whose remuneration are set out in note 7 above. The remuneration of the remaining one (1999: one) non-director, highest paid employee fell within the band of Nil - HK\$1,000,000 (1999: Nil - HK\$1,000,000) and the details are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Basic salaries and bonus	650	650
Housing benefits, other allowances and benefits in kind	—	325
	<u>650</u>	<u>975</u>

9. TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Group:		
Hong Kong	—	—
Elsewhere	2,768	2,725
Overprovision in prior years	(1,138)	(34,639)
	<u>1,630</u>	<u>(31,914)</u>
Tax charge/(credit) for the year		

Notes to Financial Statements

31 March 2000

9. TAX (Continued)

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (1999: Nil).

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in the People's Republic of China (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.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$75,765,000 (1999: HK\$362,785,000).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$10,379,000 (1999: loss of HK\$228,794,000) and the weighted average number of 640,000,000 (1999: 640,000,000) shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2000 and 1999 has not been presented as no diluting events existed during these years.

12. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	2,409,683	2,409,683
Less: Provisions for diminutions in values of subsidiaries	<u>(483,585)</u>	<u>(413,724)</u>
	1,926,098	1,995,959
Amounts due from subsidiaries	415,578	412,699
Amounts due to subsidiaries	<u>(637)</u>	<u>(637)</u>
	<u>2,341,039</u>	<u>2,408,021</u>

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

Further particulars of the subsidiaries are set out in note 31 to the financial statements.

Notes to Financial Statements

31 March 2000

13. FIXED ASSETS

Group	Long term 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	39,800	11,686	3,444	5,587	3,341	63,858
Additions	–	322	1,883	1,208	1,236	4,649
Disposals	–	–	–	(88)	(221)	(309)
Deficit on revaluation	(600)	–	–	–	–	(600)
At 31 March 2000	39,200	12,008	5,327	6,707	4,356	67,598
Accumulated depreciation:						
At beginning of year	–	726	3,073	4,291	2,415	10,505
Provided during the year	796	171	715	549	336	2,567
Disposals	–	–	–	(13)	(250)	(263)
Written back on revaluation	(796)	–	–	–	–	(796)
At 31 March 2000	–	897	3,788	4,827	2,501	12,013
Net book value:						
At 31 March 2000	39,200	11,111	1,539	1,880	1,855	55,585
At 31 March 1999	39,800	10,960	371	1,296	926	53,353
Analysis of cost or valuation:						
At cost	–	2,868	5,327	6,707	4,356	19,258
At valuation	39,200	9,140	–	–	–	48,340
	39,200	12,008	5,327	6,707	4,356	67,598

All of the Group's leasehold land and buildings situated in Hong Kong and one of the Group's leasehold land and buildings situated in the PRC were revalued at 31 March 2000 by DTZ Debenham Tie Leung Limited, independent professional valuers, on an open market, existing use basis, at HK\$39,200,000 and HK\$9,140,000, respectively.

In the opinion of the directors, the recoverable amounts of the Group's remaining leasehold land and buildings in the PRC were approximately the same as the carrying values of the respective assets at the balance sheet date.

Notes to Financial Statements

31 March 2000

13. FIXED ASSETS (Continued)

Had the Group's total land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$48,553,000 (1999: HK\$49,387,000).

Certain of the Group's leasehold land and buildings situated in Hong Kong, with carrying values of HK\$38,150,000 (1999: HK\$37,950,000) have been pledged to banks to secure general banking facilities granted to the Group (note 22).

14. INVESTMENT PROPERTIES

	Group HK\$'000
At beginning of year	469,700
Addition arising on acquisition of a subsidiary	1,980
Deficit on revaluation (note 26)	(49,000)
	<hr/>
At 31 March 2000	422,680
	<hr/>

The Group's investment properties are held under medium term leases and are situated in the following locations:

	2000 HK\$'000	1999 HK\$'000
Hong Kong	11,700	11,700
PRC	410,980	458,000
	<hr/>	<hr/>
	422,680	469,700
	<hr/>	<hr/>

All of the Group's investment properties were revalued at 31 March 2000 by DTZ Debenham Tie Leung Limited, independent professional valuers, at HK\$422,680,000 on an open market, existing use basis.

Certain investment properties situated in the PRC, with carrying values of HK\$409,000,000 have been pledged to banks and other parties to secure banking facilities and other loans granted to the Group (note 22).

Further particulars of the Group's investment properties are set out on pages 68 to 69 of the Annual Report.

Notes to Financial Statements

31 March 2000

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000	1999
	HK\$'000	HK\$'000
At beginning of year	253,335	361,505
Additions	231,386	83,944
Transfer from properties held for development (note 16)	58,939	–
Attributable profits	41,900	2,454
	<u>585,560</u>	<u>447,903</u>
Less: Sales deposits and instalments received	(136,020)	(26,390)
	449,540	421,513
Write-off for diminutions in value	–	(168,178)
	449,540	253,335
Transfer to completed properties for sale	(130,358)	–
	319,182	253,335
Portion classified as properties under development for sale under current assets	(108,966)	(103,244)
	<u>210,216</u>	<u>150,091</u>

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

Certain properties under development with carrying values of HK\$156,212,000 have been pledged to banks to secure banking facilities granted to the Group (note 22).

Further particulars of the Group's properties under development are set out on pages 70 to 71 of the Annual Report.

Notes to Financial Statements

31 March 2000

16. PROPERTIES HELD FOR DEVELOPMENT

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	1,914,655	2,008,639
Additions	28,318	145
Disposals	–	(94,129)
Transfer to properties under development (note 15)	(58,939)	–
Revaluation reserve eliminated upon reclassification to properties under development	(41,576)	–
	<u>1,842,458</u>	<u>1,914,655</u>
At 31 March 2000	<u>1,842,458</u>	<u>1,914,655</u>

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

Further particulars of the Group's properties held for development are set out on pages 71 to 73 of the Annual Report.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	9,151	9,517
Amounts due from jointly-controlled entities	–	1,977
Amounts due to jointly-controlled entities	(11,219)	(11,776)
	<u>(2,068)</u>	<u>(282)</u>

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

Notes to Financial Statements

31 March 2000

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

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	
	2000 HK\$'000	1999 HK\$'000
Club membership debenture, at cost	560	560

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\$136,730,000 (1999: HK\$135,830,000).

Certain completed properties for sale with carrying values of HK\$203,691,000 have been pledged to banks to secure banking facilities granted to the Group (note 22).

Further particulars of the Group's completed properties for sale are set out on pages 68 to 70 of the Annual Report.

21. DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

Notes to Financial Statements

31 March 2000

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bank overdrafts:		
Secured	8,228	10,041
Bank loans:		
Secured	408,464	532,135
Unsecured	22,950	33,698
	<u>431,414</u>	<u>565,833</u>
Other loans:		
Secured	107,015	109,380
	<u>546,657</u>	<u>685,254</u>
Bank overdrafts repayable within one year or on demand	<u>8,228</u>	<u>10,041</u>
Bank loans repayable:		
Within one year	357,219	359,255
In the second year	41,504	93,169
In the third to fifth years, inclusive	32,208	112,826
Beyond five years	483	583
	<u>431,414</u>	<u>565,833</u>
Other loans repayable:		
Within one year	107,015	86,146
In the second year	–	23,234
	<u>107,015</u>	<u>109,380</u>
	<u>546,657</u>	<u>685,254</u>
Portion classified as current liabilities	<u>(472,462)</u>	<u>(455,442)</u>
Long term portion	<u>74,195</u>	<u>229,812</u>

Notes to Financial Statements

31 March 2000

22. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The Group's facilities above are secured by:

- (a) Certain leasehold land and buildings of the Group situated in Hong Kong valued at HK\$38 million;
- (b) Certain investment properties of the Group valued at HK\$409 million;
- (c) Certain properties under development of the Group which had aggregate carrying values at the balance sheet date of HK\$156 million;
- (d) Certain completed properties for sale of the Group which had aggregate carrying values at the balance sheet date of HK\$204 million; and
- (e) Personal guarantees from three directors.

23. LONG TERM PAYABLES

The long term payables mainly represent amounts 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 purchase considerations will be payable upon the commencement of development of the relevant projects and according to the progress of the development. Except for a balance of HK\$23 million due within one year, classified under accounts payable, the remaining balance will not be payable within one year, as the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

24. DEFERRED TAX

The provision for deferred tax has been 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\$523 million (1999: HK\$536 million) in respect of the surplus arising from the revaluation of properties held for development, and an unrecognised deferred tax asset of approximately HK\$4 million (1999: HK\$3 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.

Notes to Financial Statements

31 March 2000

25. SHARE CAPITAL

Shares

	2000 HK\$'000	1999 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
640,000,000 ordinary shares of HK\$0.10 each	<u>64,000</u>	<u>64,000</u>

Options

On 20 September 1997, the Company adopted a share option scheme under which the directors may, at their discretion, invite any director (other than non-executive directors of the Company appointed from time-to-time) or employee of the Group, to take up options to subscribe for the Company's shares. The subscription price is determined by the directors and is notified to each relevant employee. The subscription price determined should not be less than the greater of an amount equal to 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option, or the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the scheme (together with the Company's shares issued and issuable under the share option scheme), when aggregated with any of the Company's shares issuable upon exercise of all options then outstanding which have been granted under any other scheme involving the issue or grant of options over the Company's shares or other securities by the Company to or for the benefit of its directors and/or employees, may not exceed in nominal value 10% of the issued share capital of the Company from time-to-time (excluding for this purpose shares issued pursuant to the scheme).

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the scheme.

The scheme became effective upon the listing of the Company's shares on 16 October 1997. As at 31 March 2000, no share options had been granted under the scheme.

Notes to Financial Statements

31 March 2000

25. SHARE CAPITAL (Continued)

Options (Continued)

On 20 May 2000, the Company granted 36,600,000 share options to the employees of the Group and 18,000,000 share options to the following executive directors:

	Number of share under options	Exercise price HK\$
Chan Boon Teong	4,000,000	0.32
Jiang Ming	4,000,000	0.32
Tao Lin	4,000,000	0.32
Cheng Wing Bor	4,000,000	0.32
Lin Chen Hsin	1,000,000	0.32
Shea Lam Sui	1,000,000	0.32

The options entitle the holders to subscribe for ordinary shares of the Company of HK\$0.10 each and are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates, at HK\$0.32 per share. The exercise price was fixed at HK\$0.32 per share in accordance with the provisions of the Company's share option scheme. No options have been exercised since the date of grant.

Notes to Financial Statements

31 March 2000

26. RESERVES

Group	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties held for development revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1998	289,500	131,803	814	30,416	200,508	1,682,285	(472)	379,983	2,714,837
Revaluation reserve released on disposal of properties held for development	-	-	-	-	-	(59,154)	-	-	(59,154)
Deficit on revaluation	-	-	-	(25,785)	(49,052)	-	-	-	(74,837)
Net loss for the year	-	-	-	-	-	-	-	(228,794)	(228,794)
At 31 March 1999 and beginning of year	289,500	131,803	814	4,631	151,456	1,623,131	(472)	151,189	2,352,052
Deficit on revaluation	-	-	-	(658)	(49,000)	-	-	-	(49,658)
Revaluation reserve eliminated upon reclassification to properties under development	-	-	-	-	-	(41,576)	-	-	(41,576)
Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development	-	-	-	-	-	4,383	-	-	4,383
Net profit for the year	-	-	-	-	-	-	-	10,379	10,379
Reserve on acquisition of a subsidiary	-	-	707	-	-	-	-	-	707
At 31 March 2000	289,500	131,803	1,521	3,973	102,456	1,585,938	(472)	161,568	2,276,287
Reserves retained by: Company and subsidiaries	289,500	131,803	1,521	3,973	102,456	1,585,938	(472)	161,579	2,276,298
Jointly-controlled entities	-	-	-	-	-	-	-	(11)	(11)
31 March 2000	289,500	131,803	1,521	3,973	102,456	1,585,938	(472)	161,568	2,276,287
Reserves retained by: Company and subsidiaries	289,500	131,803	814	4,631	151,456	1,623,131	(472)	150,834	2,351,697
Jointly-controlled entities	-	-	-	-	-	-	-	355	355
31 March 1999	289,500	131,803	814	4,631	151,456	1,623,131	(472)	151,189	2,352,052

Notes to Financial Statements

31 March 2000

26. RESERVES (Continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Company				
At 1 April 1998	289,500	2,409,483	15,854	2,714,837
Net loss for the year	—	—	(362,785)	(362,785)
At 31 March 1999 and beginning of year	289,500	2,409,483	(346,931)	2,352,052
Net loss for the year	—	—	(75,765)	(75,765)
At 31 March 2000	289,500	2,409,483	(422,696)	2,276,287

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.

Notes to Financial Statements

31 March 2000

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2000 HK\$'000	1999 HK\$'000
Profit/(loss) from operating activities	52,398	(208,977)
Interest income	(519)	(1,213)
Depreciation	2,089	2,550
Loss on disposal of fixed assets	46	179
Revaluation deficit/(surplus) on leasehold land and buildings	(854)	2,766
Provision and write off/ (write-back of provision) for diminutions in values of properties under development and completed properties for sale	(900)	188,825
Provision for doubtful debts	1,648	10,000
Decrease/(increase) in properties under development	11,669	(30,535)
Decrease/(increase) in properties held for development	(28,318)	34,830
Decrease/(increase) in accounts receivable	225,067	(102,760)
Decrease/(increase) in completed properties for sale	(2,304)	133,323
Decrease/(increase) in prepayments, deposits and other receivables	6,201	(5,646)
Increase in accounts payable	1,116	26,358
Increase/(decrease) in other payables and accruals	18,850	(1,525)
Increase/(decrease) in deposits received	5,022	(1,051)
Increase/(decrease) in amount due to the ultimate holding company	1,124	(29,158)
	<hr/>	<hr/>
Net cash inflow from operating activities	292,335	17,966

Notes to Financial Statements

31 March 2000

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

	Bank and other loans HK\$'000	Long term payables HK\$'000	Minority interests HK\$'000
At 1 April 1998	722,808	246,619	9,272
Net cash inflows/(outflows) from financing	(47,595)	2,857	558
Share of results for the year	—	—	(224)
At 31 March 1999 and 1 April 1999	675,213	249,476	9,606
Net cash outflows from financing	(136,784)	(71,154)	—
Share of results for the year	—	—	5,784
Revaluation reserve eliminated by minority shareholders upon reclassification to properties under development	—	—	(4,383)
At 31 March 2000	538,429	178,322	11,007

(c) Acquisition of a subsidiary

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Investment properties	1,980	—
Other payables and accruals	(1,136)	—
	844	—
Capital reserve on acquisition	(707)	—
	137	—
Satisfied by:		
Cash	137	—

Notes to Financial Statements

31 March 2000

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of a subsidiary (Continued)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	(137)	–
Cash and bank balances acquired	–	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>(137)</u>	<u>–</u>

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

28. CONTINGENT LIABILITIES

At 31 March 2000, guarantees to the extent of approximately HK\$60,482,000 (1999: HK\$31,186,000) were given by the Group 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.

29. COMMITMENTS

(a) Capital commitments:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Property development expenditure:				
Contracted for	57,660	15,949	–	–
Authorised, but not contracted for	400,455	64,601	–	–
	<u>458,115</u>	<u>80,550</u>	<u>–</u>	<u>–</u>

Notes to Financial Statements

31 March 2000

29. COMMITMENTS (Continued)

- (b) Commitments in the following year under non-cancellable operating leases in respect of land and buildings expiring:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	38	387	–	–
In the second to fifth years, inclusive	156	456	–	–
	194	843	–	–

- (c) Pursuant to a sale and purchase agreement and a supplemental agreement thereto, in respect of the sale by the Group of certain completed properties (the "Properties") to a third party (the "Purchaser"), the Group has guaranteed to pay the Purchaser an annual return of 6% on the total purchase consideration of HK\$330 million of the said Properties in return for the entitlement to all of the revenue received from the leasing of the said Properties. The guarantee covers a period of three years commencing from 4 December 1999, the date of completion of the transaction.

In the current year, the clause related to the 6% guaranteed return as stated in the foregoing was changed, whereby the Group is only required to pay a total amount of RMB20 million (HK\$18.5 million) by two equal instalments of RMB10 million payable on 31 December 2000 and 31 December 2001.

30. RELATED PARTY TRANSACTIONS

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

- (a) Coastal Realty Development Co. Limited, a subsidiary of the Group, licensed the use of a portion of Room 1402, 14th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong, which has a gross floor area of approximately 700 square feet, to CTS-Coastal Investment Limited at a monthly licence fee of HK\$55,000, which is terminable at one month's notice by either of the parties to the contract. During the year, the Group earned a sum of HK\$660,000 from this arrangement.

Coastal International Holdings Limited has a 49% equity interest in CTS-Coastal Investment Limited.

Notes to Financial Statements

31 March 2000

30. RELATED PARTY TRANSACTIONS (Continued)

- (b) Fenson Development Limited, a subsidiary of the Group, leased a unit in Golden Bridge Mansion, Shanghai, the PRC, which has a gross floor area of approximately 293.6 square metres, to CTS-Coastal Investment Limited as its office in Shanghai at a monthly rental of US\$5,283 for a term of one year commencing from 1 March 1999. The lease was not renewed upon its expiration. During the year, the Group earned a sum of HK\$450,373 from this arrangement.

Coastal International Holdings Limited has a 49% equity interest in CTS-Coastal Investment Limited.

- (c) Under a licence contract dated 20 September 1997 between Coastal International Holdings Limited 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 all of the above transactions were conducted in the ordinary and usual course of the Group's business, are in accordance with the terms of the agreements governing the transactions, and are fair and reasonable so far as the shareholders of the Company are concerned.

31. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries 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	US\$200 Ordinary	100%	Investment holding

Notes to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries:				
Alba Offshore Limited	British Virgin Islands	US\$50,000 Ordinary	100%	Investment holding
Brimmington Holdings Inc.	British Virgin Islands	US\$50,000 Ordinary	100%	Investment holding
CHT Realty Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property agency
Coastal Comfort Property Management (Fuzhou) Ltd.	PRC	RMB1,000,000	100%	Property management
Coastal Decoration Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Interior decoration
Coastal Fujian Group Limited	Hong Kong	HK\$2 Ordinary	100%	Project management
Coastal Greenland Development (An Shan) Ltd. (formerly Coastal Realty Development (An Shan) Co., Ltd.)	PRC	RMB50,000,000	96%	Property development
Coastal Greenland Development (Fujian) Ltd. (formerly Fujian New Era Realty Development Co., Ltd.)	PRC	US\$10,000,000	100%	Property development
Coastal Greenland Development (Shenzhen) Ltd. (formerly Coastal Industrial (Shenzhen) Development Co., Ltd.)	PRC	US\$12,000,000	100%	Property development

Notes to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
Coastal Greenland Development (Wuhan) Ltd. (formerly Wuhan Coastal Realty Development Co., Ltd.)	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd. (formerly Xiamen Xiang Jiang Construction Co., Ltd.)	PRC	RMB100,000,000	100%	Property development
Coastal Realty Agency Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Property agency
Coastal Realty Consultancy Limited	British Virgin Islands	US\$1 Ordinary	100%	Property consultancy
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note iii)	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.	PRC	US\$12,000,000	100%	Property investment
Coastal Real Estate (H.K.) Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding and property management
Coastal Realty (China) Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Project management

Notes to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
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. (formerly Wuhan Chutian Property Management Co., Ltd.)	PRC	HK\$1,000,000	100%	Property management
Comfort Property Management (Xiamen) Ltd. (formerly Coastal Realty Management (Xiamen) Co., 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%	Property investment
Dragon Reach Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Drummond Overseas Inc.	British Virgin Islands	US\$50,000 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

Notes to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Gear Up Finance Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Gear Up Finance (BVI) Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
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	US\$50,000 Ordinary	100%	Investment holding
Pacific Island Limited	British Virgin Islands	US\$3 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Princely Wealth Limited	British Virgin Islands	US\$100 Ordinary	100%	Investment holding
Shanghai Coastal Greenland Real Estate Ltd.	PRC	RMB20,000,000	100%	Property development

Notes to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
Shanghai Ling Zhi Properties Co., Ltd.	PRC	US\$25,000,000	100%	Property development
Shanghai Wu Tian Property Management Services Co., Ltd.	PRC	RMB3,000,000	80%	Property management
Singhouse Investment Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Star Plus Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Super Super Management Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Tinford Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
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 to Financial Statements

31 March 2000

31. PARTICULARS OF THE SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Co-operative joint venture:				
Xiang Jiang Garden Preparatory Office	PRC	RMB10,000,000	100% (Note ii)	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) This attributable interest represents the Group's profit sharing percentage in the Xiamen Xiang Jiang Garden development at 31 March 2000.
- (iii) 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 non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them respectively.

32. COMPARATIVE AMOUNTS

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 25 August 2000.

Schedule of Major Properties

PROPERTIES HELD FOR SALE AND INVESTMENT

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2000 (sq.m.)	Interest in the development attributable to the Group	Completion date
Xiang Jiang Garden	Junction of Lianhua South Road and Jiahe Road Lianhua District Xiamen	residential/ commercial	99,355	6,050	100%	December 1993
Linzi Mansion	North side of Lianhua South Road Lianhua Xin Cun Lianhua District Xiamen	residential	22,591	227	100%	July 1994
Xiang Hai Garden Phase 1	Jiangshan Road Qingdao Economic and Technological Development Zone Qingdao	residential with attached commercial area	7,891	1,913	50%	November 1994
Wah Zhong Trade Plaza	Liyen Alley Jiangnan District Wuhan	commercial/ office	79,985	64,026	100%	December 1996
Golden Bridge Garden	103 Dong Zhu An Bin Road Changning District Shanghai	residential with attached commercial area	65,908	22,169	100%	November 1997
Dragon Court Tower I	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/ retail	25,322	2,886	100%	March 2000

Schedule of Major Properties

PROPERTIES HELD FOR SALE AND INVESTMENT (Continued)

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2000 (sq.m.)	Interest in the development attributable to the Group	Completion date
World-Wide House	Room 1402, 14th Floor 19 Des Voeux Road Central Hong Kong	commercial		473 *		1980
World-Wide House	Room 1409, 14th Floor 19 Des Voeux Road Central Hong Kong	commercial		165 *		1980
City One Shatin	Flat E, 7th Floor, Block 23 3 Tak Wing Street Shatin Hong Kong	residential		41 *		1982
City One Shatin	Flat C, 4th Floor Block 8 5 Tak Kei Street Hong Kong	residential		30 *		1981
Vienna Mansion	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	residential		109 *		1958

* The area held by the Group represents saleable area. Room 1402 in World-Wide House is mainly occupied by the Group as office. Room 1409 in World-Wide House is held for investment. The three residential properties in Hong Kong are occupied by the Group as staff quarters.

Schedule of Major Properties

PROPERTIES MARKETED AND THE SALES OF WHICH ARE UNDERWRITTEN BY THE GROUP

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2000 (sq.m.)	Interest in the development attributable to the Group	Completion date
Golden Bridge Mansion	2077 Yanan West Road Changning District Shanghai	residential/ commercial	35,768	7,365	100%	August 1993
Belgravia Court Block 2	999 Pubei Road Xuhui District Shanghai	residential	11,387	941	100%	December 1994

PROPERTIES UNDER DEVELOPMENT

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group	Expected year of completion (Note 1)
Lu Jiang New City Phases II, III & IV	Luling Road, Lianhua Road, Lianhua District Xiamen	residential with attached commercial area	121,141	100%	2000
Xiang Hai Garden Phase II	Jiangshan Road, Qingdao Economic and Technological Development Zone Qingdao	residential	7,296	50%	Note 2
Anshan Greenland IT City Phase I & II	North of Wangyu Road and east of Shenying Road, District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	183,959	96%	2000

Schedule of Major Properties

PROPERTIES UNDER DEVELOPMENT (Continued)

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group	Expected year of completion (Note1)
Dragon Court Tower II	Dongmen Central Road and Wenjin Central Road, Luohu District Shenzhen	residential and office/commercial	29,260	100%	2002
Roman Garden (Formerly New Era Tower)	156-158 Hualin Road and 1 Hebian Road Gulou District Fuzhou	residential	39,787	100%	2002

Note 1: For projects to be completed in phases, the year given refers to the estimated year of completion of the first mentioned phase. The estimated year of completion is the best estimation of the Directors based on existing market conditions and assuming no unforeseen circumstances.

Note 2: The construction of Phase II will only be commenced upon 90% of GFA in Phase I has been sold, as per an agreement reached amongst the joint venture partners of the project. As the sales of Phase I has not yet reached the 90% threshold the construction of Phase II has not been started.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

Property description	Location	Type of expected development	Site area of the whole development (sq.m.)	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group
Junction of Minzu Road and Changdi Street, Jiangnan District	Wuhan	commercial/residential	33,390	166,950	100%
Two lots of land between Hualou Street and Huangpo Street, Jiangnan District	Wuhan	commercial/residential	47,560	237,800	100%

Schedule of Major Properties

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT (Continued)

Property description	Location	Type of expected development	Site area of the whole development (sq.m.)	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group
Three lots of land north of Daxing Road, south of Minquan Road and east of Tongyi Street, Jiangnan District	Wuhan	commercial/ residential	77,700	388,500	100%
Hanyang Road, Cuiweiheng Street and Xiqiao Road, Hanyang District	Wuhan	commercial/ residential	40,560	202,800	100%
Junction of railway and Wulihandong Road, Wuliyi Village, Hanyang District	Wuhan	commercial/ residential	13,140	65,700	100%
Three lots of land, situated at the junction of Yangtze River and Hanjiang River, Hanyang District	Wuhan	commercial/ residential	238,270	1,191,350	100%
East of Gui Hill, Ximachang Street, Hanyang District	Wuhan	commercial/ residential	16,080	80,400	100%
Anshan Greenland IT City, excluding Phase I and II, north of Wangyu Road and east of Shenying Road, District A of Anshan Development Zone of Industries of High and New Technologies	Anshan	residential with attached commercial area	149,107	260,328	96%

Schedule of Major Properties

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT (Continued)

Property description	Location	Type of expected development	Site area of the whole development (sq.m.)	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group
Xiang Hai Garden, Phases III and IV Jiangshan Road, Qingdao Economic and Technological Development Zone	Qingdao	residential with attached commercial area	13,866	43,721	50%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Coral Room 2, 3/F, Furama Hotel Hong Kong, One Connaught Road Central, Hong Kong on Friday, 22 September 2000 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2000.
2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of Directors.
3. To re-appoint Ernst & Young as Auditors and authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(I) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from 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 law to be held; and

Notice of Annual General Meeting

- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”
- (II) “THAT:
- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) 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 an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and
 - (d) for the purpose of this Resolution, “Relevant Period” means the period from 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 law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

Notice of Annual General Meeting

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company 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 any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company).”

- (III) “THAT subject to the passing of the Resolutions 4(I) and 4(II) set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Resolution 4(II) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4(I) set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”

By order of the Board
Cheng Wing Bor
Company Secretary

Hong Kong
25 August 2000

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's Registrar, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
- (3) In respect of Resolution 4(I) stated above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on this Resolution as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is set out in a separate document from the Company to be enclosed with the Annual Report.
- (4) In respect of Resolution 4(II) stated above, the Directors wish to state that they have no immediate plans to issue new shares of the Company other than the new shares to be issued upon the exercise of subscription rights under the existing share option scheme of the Company, if any.