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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 502, First Pacific Bank Centre
56 Gloucester Road
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

COMPANY WEBSITE

<http://www.coastal.com.cn>

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

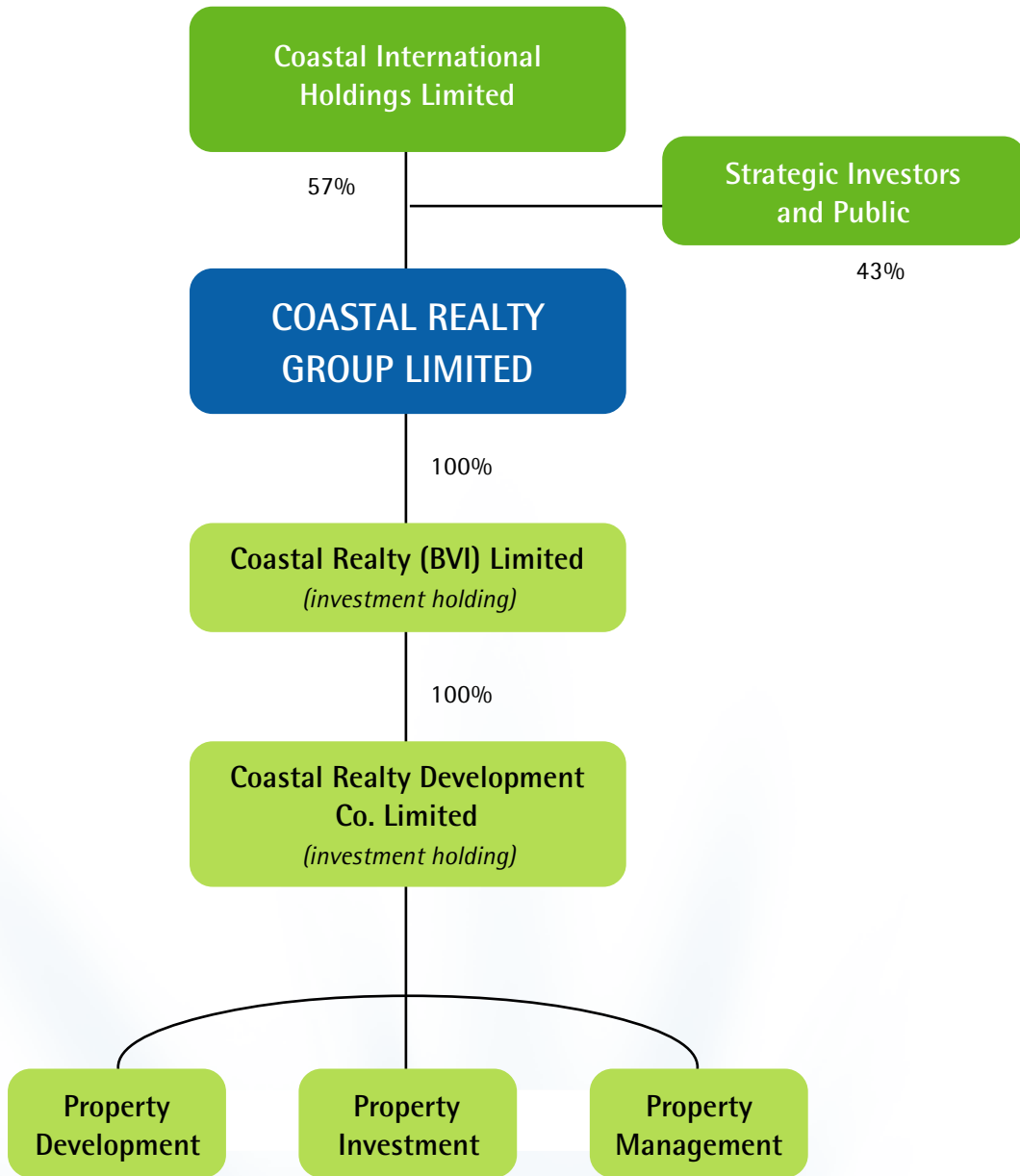
COMPANY SECRETARY

Mr. CHENG Wing Bor FCCA, AHKSA

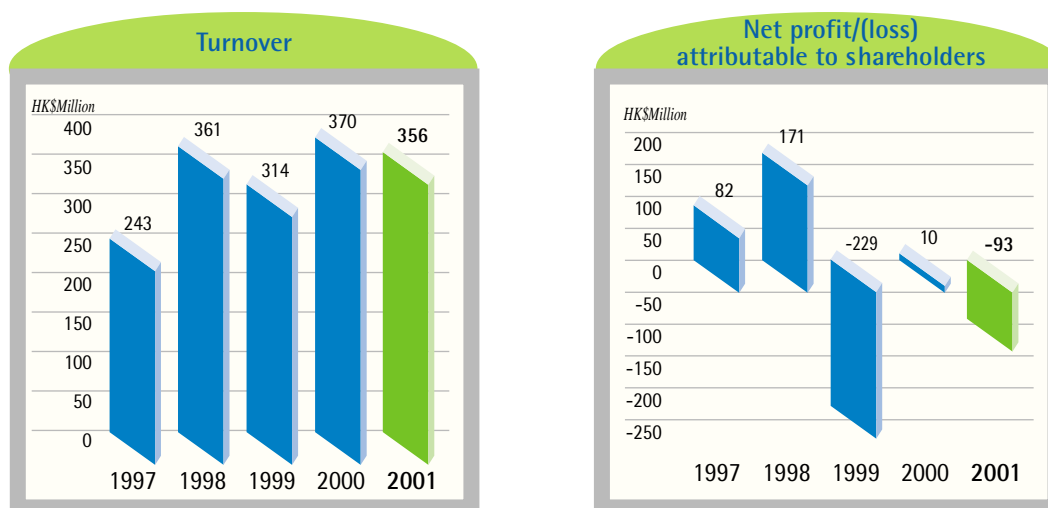
AUDITORS

Ernst & Young
Certified Public Accountants

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 2001, which have been prepared on the basis set out in note 1 below.

	Year ended 31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	355,562	369,665	314,022	361,300	243,470
Profit/(loss) before tax	(92,737)	17,793	(206,932)	187,844	106,878
Net profit/(loss) from ordinary activities attributable to shareholders	(93,328)	10,379	(228,794)	171,000	82,313
Dividends	-	-	-	25,600	33,000

ASSETS AND LIABILITIES

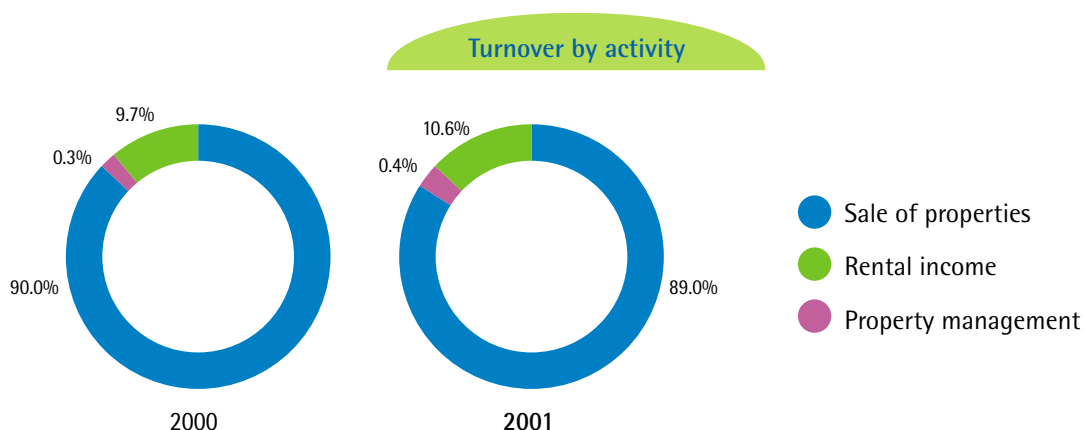
	As at 31 March			
	2001	2000	1999	1998
	Hk\$'000	Hk\$'000	Hk\$'000	Hk\$'000
Total assets	2,952,729	3,289,360	3,548,669	4,021,515
Total liabilities and minority interests	(1,042,881)	(949,073)	(1,132,617)	(1,242,678)
Net assets	1,909,848	2,340,287	2,416,052	2,778,837

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 year ended 31 March 1997 has 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 1996. The results of the Group for the year ended 31 March 2001 are those as set out on page 24 of the Annual Report.

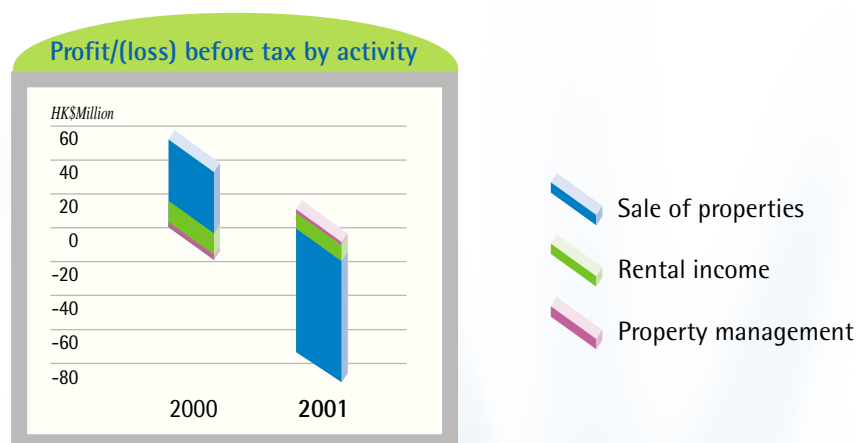
Note 2: To date the only published audited consolidated balance sheets of the Group are that as at 31 March 1998, 1999, 2000 and 2001. The consolidated balance sheet of the Group as at 31 March 2001 together with the comparative figures as at 31 March 2000, is set out on pages 26 of the Annual Report.

Financial Highlights

ANALYSIS OF TURNOVER AND PROFIT/(LOSS)



	Year ended 31 March	
	2001 HK\$'000	2000 HK\$'000
Turnover by activity		
• Sale of properties	316,574	332,712
• Rental income	37,718	35,902
• Property management	1,270	1,051
Total	355,562	369,665



	Year ended 31 March	
	2001 HK\$'000	2000 HK\$'000
Profit/(loss) before tax by activity		
• Sale of properties	(76,430)	34,982
• Rental income	10,700	17,160
• Property management	120	256
	(65,610)	52,398
Finance costs	(27,094)	(34,239)
Share of profits and losses of jointly-controlled entities	(33)	(366)
Profit/(loss) before tax	(92,737)	17,793

Chairman's Statement



Mr. CHAN Boon Teong
Chairman

On behalf of Coastal Realty Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I hereby present my report on the operations of the Group for the year ended 31 March 2001 as follows.

RESULTS

For the financial year ended 31 March 2001, the Group has recorded a turnover of about HK\$356 million and a net loss attributable to shareholders of about HK\$93 million.

DIVIDENDS

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

The financial year is another challenging year for the Group. The continued price pressure on the Group's properties held for sale, which were targeted at foreign buyers, has adversely affected the Group's performance, resulting in a loss of approximately HK\$93 million for the year. Nevertheless, the overall market conditions and the buying sentiment in the People's Republic of China (the "PRC") domestic market are improving continuously. The PRC central government's economy driven policies such as the housing reform policy and the continuation

of low interest rate situation are all favourable factors that are boosting the domestic property market. The Group's property development projects for domestic market have been performing well along this path. However, it is expected that the overall market situation will remain highly competitive as supply is forecasted to be ample.

Despite the unsatisfactory operating results for the year, the Group has made a significant advancement during the year in lowering its borrowing level in accordance with its debt reduction plan. Total interest-bearing bank and other borrowings have been brought down to about HK\$471 million as at 31 March 2001 from approximately HK\$547 million as at 31 March 2000, representing a 13.90% reduction. In addition, the Group has acquired a land parcel in Shanghai during the year with a total site area of 259,984 square meters which will be developed in phases into a low density residential estate with a total gross floor area of about 194,676 square meters. Development of phase I of this development with a total gross floor area of approximately 60,172 square meters has been commenced during the year and the completion of it is expected to be in early 2002. The ongoing development projects of the Group are also making progress and are expected to contribute to the Group's operating results in the coming year.

Chairman's Statement

OUTLOOK

The PRC real estate market is expected to be optimistic in year 2001 as first quarter statistics has shown signs of continuing growth in this sector. As reported by the National Bureau of Statistics, sale of properties, in terms of gross floor area, has increased by 31.4% and average selling price has increased by 13.3% in the first three months of 2001 as compared to that of the corresponding period of 2000.

For the coming year, market demand and buying sentiment in the PRC residential properties market are expected to remain strong. China's economic growth in 2001 is expected to maintain its potent momentum with a forecast of about 7% increase over 2000, and China's pending accession to the World Trade Organisation is expected to bring to fruition before the end of year 2001. All these positive factors are expected to further stimulate the market demand on real estate in the PRC for the years to come.

With these positive conditions, the Group is optimistic about its operations in the coming year. The development projects of the Group for domestic market, namely, Phases II and III of Anshan Greenland IT City, Phase III of Xiamen Lu Jiang New City, Phase II of Shenzhen Dragon Court, Fuzhou Roman Garden and Phase I of Shanghai Ritz Villa are expected to come on the Group's revenue stream in the coming year and make profit contributions to the Group.

Furthermore, the Group will continue to seek for replenishing its landbank reserve, as well as adhere to its business strategy of focusing on PRC domestic middle class market and developing affordable quality residential estates with environmental friendly living conditions. The Group will also keep monitoring the market situation from time to time so as to steer its course of development to capture business opportunities.

APPRECIATION

I am very thankful to my fellow directors and staff for their continuing contribution and dedication to the Group throughout the year and looking forward to teaming up with them for a fruitful year to come.

Chan Boon Teong
Chairman

Hong Kong
25 July 2001

Management Discussion and Analysis

BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$355.56 million for the financial year ended 31 March 2001, a slight decrease of about 3.82% over that of last year.

A breakdown of the Group's turnover together with an analysis of contribution to operating results by activity is set out in the following table:

	Year ended 31 March			
	2001		2000	
	Turnover HK\$'000	Contribution to operating results HK\$'000	Turnover HK\$'000	Contribution to operating results HK\$'000
Sale of properties	316,574	(76,430)	332,712	34,982
Rental income	37,718	10,700	35,902	17,160
Property management	1,270	120	1,051	256
Total	355,562	(65,610)	369,665	52,398

The HK\$316.57 million turnover recorded for sale of properties for the year represents a decrease of 4.85% over that of last year. The decline was mainly attributable to lesser new developments were launched for sale during the year. The sale revenue for the year was mainly contributed by Anshan Greenland IT City and Shanghai Golden Bridge Garden which respectively accounted for 64.35% and 23.85% of the turnover for sale of properties. The balance of 11.80% was mainly contributed from sale revenue of Xiamen Lu Jiang New City Phase II, Shenzhen Dragon Court Phase I, and Shanghai Belgravia Court Block 2.

Rental income continued to stay weak as the sluggish rental market persisted during the year. Rental and occupancy rates of the two leasing properties, Wuhan Wah Zhong Trade Plaza and Shanghai Golden Bridge Mansion, remained unsatisfactory as oversupply of commercial and office properties in the nearby locations continues to exist. A total of approximately HK\$37.72 million of rental income was recorded for the year, a slight increase of 5.06% over that of last year. Shanghai Golden Bridge Garden remains to be the main rental income contributor. Of the rental income, approximately 63% came from the leasing of Shanghai Golden Bridge Garden, and approximately 20% came from the leasing of Wuhan Wah Zhong Trade Plaza. The remaining 17% mainly came from the leasing of Shanghai Golden Bridge Mansion and Hong Kong World-Wide House.

Property management income of HK\$1.27 million was recorded for the year representing an increase of approximately 21% as compared to that of last year. The increase was due to the fact that the Group has started to provide property management services for Phase I of Anshan Greenland IT City and Phase I of Shenzhen Dragon Court during the year.

Management Discussion and Analysis

BUSINESS ANALYSIS *(Continued)*

The Group has recorded a net loss attributable to shareholders of approximately HK\$93.33 million for the year, a turnaround from last year's net profit of approximately HK\$10.38 million. The turnaround in the results was largely due to the following:

- (1) Provisions for diminutions in values of a property under development and certain completed properties for sale in the amount totalling approximately HK\$41.40 million.
- (2) A loss of approximately HK\$48.48 million resulted from the sale of Shanghai Golden Bridge Garden under a special sale campaign driven by sale tax exemption incentive.
- (3) A decrease in profit contribution from leasing activity due to an increase in depreciation charge for the year arose from additional renovation work on leasing properties and full year impact of amortisation of the payment for the use right of a property acquired in August 1999.
- (4) An increase in provision of approximately HK\$14.98 million for doubtful debts.
- (5) A provision for land appreciation tax of HK\$6 million.

The effect of the events as stated in (1) and (2) above has caused a negative contribution from sale of properties for the year while the factors as explained in (3) above have eroded the profit contribution from leasing of properties.

The operations of the Group's jointly-controlled entities continue to be insignificant to the Group. The losses from these jointly-controlled entities for the year had been narrowed down to HK\$0.03 million from last year's HK\$0.37 million.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The overall business strategy of the Group is to focus on developing quality residential estates with decent amenities at affordable prices for middle class PRC households.

A summary of the status of the Group's major properties and development projects is set out below.

Anshan Greenland IT City

Anshan Greenland IT City is one of the major and large-scale development of the Group. The development has a total site area of about 268,807 sq.m. The development is being developed in phases into a low density residential estate with ancillary facilities and attached commercial area.

The development of the Anshan Greenland IT City has been progressing satisfactorily as planned. Phase I of the development was completed in June 2000, and approximately 87% of the GFA in it has been sold as at the end of the year. Of the unsold portion, a club house of 6,320 sq.m. is held by the Group as investment property.

Management Discussion and Analysis

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

The Anshan Greenland IT City *(Continued)*

The construction of Phase II was started in January 2000 and has been completed in December 2000. Of the approximately 92,253 sq.m. of the GFA developed in Phase II, about 67% has been sold as at the end of the year.

The construction of Phase III with a GFA of approximately 45,830 sq.m. was commenced in March 2001. Phase III comprises mainly low density residential properties with about 3,600 sq.m. of commercial area. The construction of Phase III is expected to be completed in February 2002. Pre-sale of Phase III was started in May 2001.

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

The revised plan for the development is a residential building with two levels of basement for car parking use. The final approved total GFA of the development is about 40,443 sq.m., of which about 35,222 sq.m. is residential area, about 5,221 sq.m. is car parking space and storage space.

The construction of the development is in progress but the schedule has been delayed due to the fact that more time was spent in obtaining government authorities' approvals of the revision to the plan than expected. The completion date of the construction of the project is expected to be in late 2002.

Qingdao Xiang Hai Garden

Qingdao Xiang Hai Garden is a small-scale residential development which is to be developed in four phases. Phase I of the project, which was completed in November 1994, comprises a 7-floor residential/retail building with a total GFA of 7,891 sq.m. The Group has a 50% interest in the development.

The scale of the development is comparatively small in terms of its impact on the Group's operating results and balance sheet and the Group has only had a 50% interest in the development.

The Group is negotiating with a third party to dispose of all the Group's interests in the development to the third party and it is anticipated that no significant profit or loss will arise from such a disposal.

Shanghai Belgravia Court, Block 2

Shanghai Belgravia Court, Block 2 is a residential building developed by an independent PRC developer. The Group has sold most of the GFA of the property and has held about 406 sq.m. for sale as at the end of the year.

Shanghai Golden Bridge Garden

Completed in November 1997, Shanghai Golden Bridge Garden is a residential/commercial development with a total GFA of 65,908 sq.m. As at the end of the year, a cumulated total of about 84% of the GFA has been sold.

As at the end of the year the Group held about 10,748 sq.m. in this development for sale, of which 7,087 sq.m. is car parking area.

Management Discussion and Analysis

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Shanghai Golden Bridge Garden *(Continued)*

Pursuant to an agreement entered into in 1999 between the Group and a purchaser in respect of a block sale of about 24,523 sq.m., the Group is entitled to the use right of these 24,523 sq.m. for a term of three years commencing from 4 August 1999 in consideration for a payment of HK\$18.5 million by the Group to the purchaser. A substantial part of this GFA was leased by the Group to generate rental income during the year. Subsequent to the year end date, the Group has agreed with the purchaser to revert the use right of this GFA to the purchaser on 1 July 2001 in consideration of 12 equal monthly instalments of HK\$747,664 (RMB 800,000) and a final payment of HK\$822,430 (RMB 880,000) payable by the purchaser to the Group commencing 1 July 2001.

Shanghai Golden Bridge Mansion

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

Shanghai Ritz Villa

Shanghai Ritz Villa is a low density residential estate which will be developed in phases on a land parcel newly acquired by the Group during the year. The land parcel has a total site area of approximately 259,984 sq.m. and is located in Xinqiao, Songjiang District in Shanghai. Phase I of the development has a total GFA of approximately 60,172 sq.m. The construction of Phase I of the development has commenced in July 2001 and is expected to be completed in early 2002.

Shenzhen Dragon Court

Shenzhen Dragon Court is a residential/commercial development. Phase I (Tower I) of the development was completed in March 2000 with a GFA of 25,322 sq.m., of which, about 95% has been sold as at the end of the year. The remaining 5% GFA is held for sale by the Group.

The construction of Phase II (Tower II) of the development was started in September 2000 and is planned to be completed in mid 2002. Phase II has a total GFA of 29,260 sq.m. comprising residential, commercial, office area and car parking spaces. Pre-sale of Phase II was started in March 2001 and has been progressed satisfactorily.

The Group is currently negotiating to acquire a land parcel adjacent to this development with a site area of about 5,024 sq.m. which when acquired will become Phase III of the development and will be developed into a residential/commercial building with a GFA of about 45,766 sq.m.

Management Discussion and Analysis

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Wuhan Wah Zhong Trade Plaza

Wuhan Wah Zhong Trade Plaza is one of the early developments completed by the Group. It is a 9-floor commercial/office building with a total GFA of 79,985 sq.m. Since the completion of the development in December 1996, the Group has sold about 20% of the GFA of the development. As at the end of the year, the Group held 45,359 sq.m. on levels 1 to 6 of the development, representing 57% of the total GFA, as an investment property. The remaining 23% of the total GFA is car parking area in the basement and office area on levels 8 to 9 which are held by the Group for sale.

During the year, the GFA held by the Group as an investment property was leased by parts to various tenants.

Xiamen Lu Jiang New City

The development is a large-scale residential development of the Group. It has a site area of 36,721 sq.m. and is being developed into a residential estate with ancillary facilities including a school and a kindergarten in four phases.

Phase I of the development was completed in June 1998 with a total GFA of 17,297 sq.m. which was all sold.

The construction of Phase II was completed in August 2000. Phase II has a total GFA of approximately 42,013 sq.m. and up to the end of the year, about 72% of the GFA was sold. The remaining 28% of the GFA is held by the Group for sale and is mainly car parking spaces in the basement.

The construction of Phase III has commenced in February 2001 and the pre-sale of it was started in June 2001. Phase III has a total GFA of approximately 28,500 sq.m. which comprises about 24,317 sq.m. of residential area and 4,183 sq.m. of commercial area.

The preparation work for the development of Phase IV is in progress. Phase IV will have a total GFA of approximately 46,983 sq.m. comprising residential, commercial and car parking areas of GFA of 38,115 sq.m., 3,875 sq.m. and 4,993 sq.m. respectively.

Xiamen Linzi Mansion

Completed in July 1994, Xiamen Linzi Mansion is a residential building with a total GFA of 22,591 sq.m. As at the end of the year, all the GFA in the development was sold.

Xiamen Xiang Jiang Garden

The development is a residential/commercial development completed in December 1993. Over the years, the Group has sold over 94% of the GFA in the development. The remaining GFA unsold is mainly car parking spaces in the basements which is being operated as a public car park by the Group.

Management Discussion and Analysis

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Unit 1402, World-Wide House, Hong Kong

The property has a saleable area of 473 sq.m. and has been used by the Group as head office in Hong Kong since 1991. Subsequent to the year end date, the property was sold to an independent third party for a consideration of HK\$42 million.

Unit 1409, World-Wide House, Hong Kong

The property is situated adjacent to the Group's office in World-Wide House, Hong Kong with a saleable area of 165 sq.m. which was held as an investment property by the Group. Subsequent to the year end date, the property was sold to an independent third party for a consideration of HK\$17 million.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

In view of the improvement in buying sentiment and market conditions in the PRC property market, the Group has further deployed a total site area of 33,300 sq.m. of its land reserve for its development of Phase III of Anshan Greenland IT City.

Furthermore, the Group has added a land parcel in Shanghai with a total site area of 259,984 sq.m. to its land reserve during the year, of which a site area of 77,995 sq.m. has been deployed for the development of Phase I of Shanghai Ritz Villa.

The landbank of the Group are located in Anshan, Qingdao, Wuhan and Shanghai. A summary of the landbank is 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 and III)	115,807	212,871	96%
Shanghai Ritz Villa (excluding Phase I)	181,989	134,504	100%
Qingdao - Xiang Hai Garden, Phase III and IV	13,866	43,721	50%
Total	778,362	2,724,596	

The landbank are capable of being developed into properties with a total GFA of approximately 2.72 million sq.m., based upon the plot ratios stated in the relevant land grant contract, land use right certificate or approval issued by competent authorities. Residential and/or commercial properties are expected to be developed on these sites in accordance with the market demand then prevailing.

Management Discussion and Analysis

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT *(Continued)*

The development of the seven parcels of land in Wuhan shall involve the redevelopment of a substantial part of urban area, which shall entail a substantial amount of upfront cost incurred in resettlement of the households and commercial operations established on the land parcels. As the financial resources required for the development are beyond the immediate capability of the Group and the 10 years time limit for completion of the development as imposed by the land grant contract will be due in May 2004, the Group has negotiated with and has obtained the approval from the Land Administration Bureau of Wuhan for the replacement of the seven parcels of land by 1,950 mu (about 1.3 million sq.m.) of land parcels situated in a new town district in Wuhan and on which building structures requiring demolition before development are minimal. The Group is currently finalising with the local government authorities in the said district regarding the overall planning of these land parcels. It is anticipated that the development will be mainly for residential purposes with attached commercial area and ancillary community facilities. Based on the replacement, a provision for permanent diminutions in values of the seven land parcels of about HK\$310 million was made for the year which was dealt with in the properties held for development revaluation reserve.

Due to low development potential of the Qingdao Xiang Hai Garden to the Group, the Group is presently negotiating to dispose of all its interests in this project.

It is the Group's strategy to continuously seeking for suitable landbank additions for its future development. Presently, the Group is in negotiation with certain independent third parties regarding acquisition of certain land parcels in major cities of the PRC. Nevertheless, no assurance can be given at this stage as to whether or not these negotiations will bring to fruition in future.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, property sales and leasing continued to be the principal sources of cashflow generated for the Group, whilst bank borrowings were used as supplementary sources for balancing funding requirements of project development. As at 31 March 2001, the net borrowings of the Group, being interest bearing bank and other borrowings less cash and bank balances and bank deposits, amounted to about HK\$396 million. Net debt to equity ratio is about 20.73%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,910 million.

Subsequent to the year end date, the Company has completed a rights issue of 384,000,000 new shares of HK\$0.1 each on the basis of three rights shares for every five existing shares held taken up at a cash price of HK\$0.16 per rights share. As stated in the rights issue circular and prospectus, the net proceeds of approximately HK\$58 million will be applied towards the repayment of part of the liability due to the controlling shareholder of the Company. As a result of rights issue, the capital base of the Company was broadened whereby the financial position of the Group was strengthened.

Biography of Directors

EXECUTIVE DIRECTORS

Mr. Chan Boon Teong, aged 59, 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 a director of TPV Technology Limited and Tianjin Capital Environmental Protection Company Limited, both of them are listed companies 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 Standing Committee of the Overseas Chinese Association in the PRC.

Mr. Jiang Ming, aged 43, 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 17 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 43, 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 13 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 70, is responsible for supervising the operations, finance and audit of the Group. He has over 43 years' experience in financial management as well as in import and export trading and manufacturing. He joined the Group in 1990.

Mr. Cheng Wing Bor, aged 41, is the financial controller of the Group. He is responsible for the financial and accounting management of the Group. He has over 15 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 57, is responsible for Hong Kong office administration and the public relations of the Group. He has over 20 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.

Biography of Directors

NON-EXECUTIVE DIRECTORS

Mr. Lin Bao Sheng, aged 59, 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 32 years of 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 45, 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 19 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 53, 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 49, is a non-executive director of the Company appointed in 1997. He has over 23 years' experience in the property field regarding marketing, strategy planning and sales management in Taiwan and the PRC.

Mr. Wong Ying Ho, Kennedy, aged 38, 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.

Mr. Tang Lap Yan, aged 56, 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 2001.

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/(loss) from operating activities by principal activity is as follows:

	2001		2000	
	Turnover	Contribution	Turnover	Contribution
	HK\$'000	to operating	HK\$'000	to operating
		results		results
		HK\$'000		HK\$'000
By activity:				
Sale of properties	316,574	(76,430)	332,712	34,982
Rental income	37,718	10,700	35,902	17,160
Property management	1,270	120	1,051	256
	355,562	(65,610)	369,665	52,398

The Group's turnover and contribution to profit/(loss) 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 loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 62.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and reclassified as appropriate 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 note 12 to the financial statements.

Report of the Directors

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 13 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 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in notes 11 and 32 to the financial statements.

JOINTLY-CONTROLLED ENTITIES

Particulars of the Group's jointly-controlled entities are set out in note 15 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 note 22 to the financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the year is set out in note 5 to the financial statements.

Interest of approximately HK\$12,092,000 (2000: HK\$18,099,000) was capitalised during the year in respect of the Group's properties under development.

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.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2001, 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\$1,556,275,000. In addition, the share premium account, with a balance of HK\$289,500,000 as at 31 March 2001, 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 less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year and purchases from the largest supplier included therein amounted to 24%.

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.

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 article 87(1) of the Company's bye-laws, Messrs. Tao Lin, Cheng Wing Bor, Lin Chen Hsin, Wong Ying Ho, Kennedy will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 15 to 16 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 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

The service contracts with all the executive directors for a term of three years expired on 29 September 2000 and had been renewed for another term of three years expiring on 29 September 2003. 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 2001, the interests of the directors in the share capital of the Company or its associated corporations, 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 director	Notes	Number of shares held and nature of interests	
		Personal	Corporate
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		2,400,000	–

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 director	Notes	Number of shares held and nature of interests	
		Personal	Corporate
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 represent 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, the entire issued share capital of which 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 CIH is held in the manner stated in the foregoing note (a).

Save as disclosed above, at 31 March 2001, none of the directors or their associates had any personal, family, corporate or other interest 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, apart from those disclosed in note 25 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, as further 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 the 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. On 20 May 2000, options were granted to certain executive directors and employees, the further details of which are set out in note 25 to the financial statements.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

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 years 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 headed "Directors' interests in shares" above, no person had registered an interest amounting to 10% or more in the issued share capital of the Company at 31 March 2001 in the register that was required to be 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"), 20,000,000 shares of the Company are 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.

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 July 2001

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 24 to 62 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 2001 and of the loss 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 July 2001

Consolidated Profit and Loss Account Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	3	355,562	369,665
Cost of sales		(352,807)	(301,028)
Gross profit		2,755	68,637
Other revenue		3,257	23,911
Marketing and selling costs		(4,627)	(4,901)
Administrative expenses		(31,042)	(30,203)
Other operating expenses	4(b)	(35,953)	(5,046)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4(a)	(65,610)	52,398
Finance costs	5	(27,094)	(34,239)
Share of profits and losses of jointly-controlled entities		(33)	(366)
PROFIT/(LOSS) BEFORE TAX		(92,737)	17,793
Tax	8	1,471	(1,630)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(91,266)	16,163
Minority interests		(2,062)	(5,784)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	(93,328)	10,379
EARNINGS/(LOSS) PER SHARE – Basic	10	(14.12) cents	1.57 cents
EARNINGS/(LOSS) PER SHARE – Diluted	10	N/A	N/A

Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2001

	Note	2001 HK\$'000	2000 HK\$'000
Surplus/(deficit) on revaluation of land and buildings	26	7,078	(658)
Deficit on revaluation of investment properties	26	(42,352)	(49,000)
Deficit on revaluation of properties held for development	26	(310,168)	-
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		(345,442)	(86,851)
Net profit/(loss) from ordinary activities attributable to shareholders		(93,328)	10,379
Total recognised gains and losses		(438,770)	(76,472)
Capital reserve on acquisition of additional interests in subsidiaries	26	8,331	707
		(430,439)	(75,765)

Consolidated Balance Sheet 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	462,751	478,265
Properties under development	13	62,215	210,216
Properties held for development	14	1,618,778	1,842,458
Interests in jointly-controlled entities	15	38	(2,068)
Long term investment	16	560	560
Pledged deposits	17	22,272	11,536
		2,166,614	2,540,967
CURRENT ASSETS			
Properties under development for sale	13	282,891	108,966
Completed properties for sale	18	267,773	354,001
Trade receivables	19	147,996	147,010
Prepayments, deposits and other receivables		34,576	60,768
Cash and bank balances		52,879	77,648
		786,115	748,393
CURRENT LIABILITIES			
Due to the ultimate holding company	20	131,771	52,366
Trade payables	21	92,281	52,475
Tax payable		2,364	3,649
Deposits received		4,317	5,611
Other payables and accruals		108,180	96,997
Interest-bearing bank and other borrowings	22	327,215	472,462
		666,128	683,560
NET CURRENT ASSETS		119,987	64,833
TOTAL ASSETS LESS CURRENT LIABILITIES		2,286,601	2,605,800
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	143,443	74,195
Long term payables	23	227,140	178,322
Deferred tax	24	1,989	1,989
		372,572	254,506
MINORITY INTERESTS		4,181	11,007
		1,909,848	2,340,287
CAPITAL AND RESERVES			
Issued capital	25	64,000	64,000
Reserves	26	1,845,848	2,276,287
		1,909,848	2,340,287

Chan Boon Teong
Director

Jiang Ming
Director

Consolidated Cash Flow Statement Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	27(a)	27,421	292,335
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		164	519
Interest paid		(39,186)	(52,338)
Net cash outflow from returns on investments and servicing of finance		(39,022)	(51,819)
TAXATION			
Overseas taxes refunded/(paid)		186	(4,072)
INVESTING ACTIVITIES			
Acquisition of a subsidiary	27(c)	-	(137)
Acquisition of additional interests in subsidiaries		(557)	-
Purchases of fixed assets		(3,328)	(4,649)
Increase/(decrease) in balances with jointly-controlled entities		(2,139)	1,420
Increase in pledged deposits		(10,736)	(11,536)
Net cash outflow from investing activities		(16,760)	(14,902)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(28,175)	221,542
FINANCING ACTIVITIES	27(b)		
New bank borrowings and other loans		137,956	211,145
Repayment of bank borrowings and other loans		(215,052)	(347,929)
Repayment of long term payables		-	(71,154)
Advances from the ultimate holding company		79,405	-
Net cash inflow/(outflow) from financing activities		2,309	(207,938)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(25,866)	13,604
Cash and cash equivalents at beginning of year		69,420	55,816
CASH AND CASH EQUIVALENTS AT END OF YEAR		43,554	69,420
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		52,879	77,648
Bank overdrafts		(9,325)	(8,228)
		43,554	69,420

Balance Sheet 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	11	1,910,790	2,341,039
CURRENT ASSETS			
Cash and bank balances		23	23
CURRENT LIABILITIES			
Due to the ultimate holding company	20	-	2
Other payables and accruals		1,038	773
		1,038	775
NET CURRENT LIABILITIES		(1,015)	(752)
		1,909,775	2,340,287
CAPITAL AND RESERVES			
Issued capital	25	64,000	64,000
Reserves	26	1,845,775	2,276,287
		1,909,775	2,340,287

Chan Boon Teong
Director

Jiang Ming
Director

Notes to Financial Statements 31 March 2001

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. 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 2001

2. 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 2001

2. 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 2001

2. 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 qualified 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 2001

2. 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. The capitalisation rate for the year is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Revenue recognition

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

- (a) 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 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

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.

3. 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	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	316,574	332,712
Rental income	37,718	35,902
Property management	1,270	1,051
	355,562	369,665

Notes to Financial Statements 31 March 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost of properties for sale sold	297,938	151,517
Depreciation	4,758	2,567
Less: Amounts capitalised in properties under development	(731)	(478)
	4,027	2,089
Operating lease rentals for land and buildings	262	781
Less: Amounts capitalised in properties under development	(104)	(412)
	158	369
Auditors' remuneration	750	850
Staff costs (including directors' remuneration – note 6)	19,090	19,712
Pension	62	-
Less: Amounts capitalised in properties under development	(4,592)	(8,492)
	14,560	11,220

Notes to Financial Statements 31 March 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Continued)

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Provisions and write off for diminutions in values of:		
– properties under development	10,701	–
– completed properties for sale	30,698	–
	41,399	–
Provisions for doubtful debts	14,980	1,648
Loss on disposal of fixed assets	79	46
and after crediting:		
Revaluation surplus on leasehold land and buildings	2,167	854
Interest income	164	519
Exchange gains/(losses), net	1,124	(234)
Gross rental income	37,718	35,902
Less: Outgoings	(10,351)	(6,990)
Net rental income	27,367	28,912

- (b) Included in other operating expenses:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Provisions for diminutions in values of properties under development	10,701	–
Provisions for doubtful debts	14,980	1,648
Provision for land appreciation tax	6,000	–

Notes to Financial Statements 31 March 2001

5. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	38,416	52,338
Interest on other loans	770	-
	39,186	52,338
Amounts capitalised in properties under development	(12,092)	(18,099)
	27,094	34,239

6. 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	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	-
Non-executive directors	100	100
Executive directors' other emoluments:		
Basic salaries and bonus	5,390	5,489
Contributions to pension scheme	20	-
Housing benefits, other allowances and benefits in kind	1,200	1,216
	6,710	6,805

The amounts disclosed above include the directors' fees of HK\$60,000 (2000: HK\$60,000) payable to the independent non-executive directors.

Notes to Financial Statements 31 March 2001

6. DIRECTORS' REMUNERATION *(Continued)*

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

	Number of directors	
	2001 HK\$'000	2000 HK\$'000
Nil – HK\$1,000,000	8	8
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	2	2
	12	12

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 (2000: HK\$60,000) for the year.

No value is included in the directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Further details of the options granted to the directors during the year are set out in note 25 to the financial statements.

7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2000: four) directors, details of whose remuneration are set out in note 6 above. The remuneration of the remaining one (2000: one) non-director, highest paid individual fell within the band of Nil – HK\$1,000,000 (2000: Nil – HK\$1,000,000) and the details are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries and bonus	440	650
Contributions to pension scheme	4	–
	444	650

Notes to Financial Statements 31 March 2001

8. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Group:		
Elsewhere	243	2,768
Overprovision in prior years	(1,714)	(1,138)
Tax charge/(credit) for the year	(1,471)	1,630

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2000: 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.

9. 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 approximately HK\$430,512,000 (2000: HK\$75,765,000).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$93,328,000 (2000: Profit of HK\$10,379,000) and 661,184,000 (2000: 661,184,000 (restated)) shares in issue during the year.

The number of shares in issue for the current and prior years has been adjusted to reflect the effect of the Company's rights issue of shares as further detailed in note 31(b) to the financial statements.

As the exercise price of the share options was higher than the average market price of the Company's shares during the year ended 31 March 2001, there was no dilution effect on the basic loss per share for the year ended 31 March 2001. Diluted earnings per share for the year ended 31 March 2000 has not been presented because no diluting events existed during that year.

Notes to Financial Statements 31 March 2001

11. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	2,409,683	2,409,683
Less: Provisions for diminutions in values of subsidiaries	(907,585)	(483,585)
	1,502,098	1,926,098
Amounts due from subsidiaries	408,692	415,578
Amounts due to subsidiaries	-	(637)
	1,910,790	2,341,039

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 32 to the financial statements.

Notes to Financial Statements 31 March 2001

12. FIXED ASSETS

Group	Investment properties HK\$'000	Leasehold buildings in Hong Kong HK\$'000	Long term		Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
			leasehold land and buildings in the PRC HK\$'000	leasehold land and buildings HK\$'000				
Cost or valuation:								
At beginning of year	422,680	39,200	12,008		5,327	6,707	4,356	490,278
Additions	-	-	-		1,286	1,316	726	3,328
Disposals	-	-	-		-	(26)	(118)	(144)
Transfer from properties under development								
	19,102	-	-		-	-	-	19,102
Surplus/(deficit) on revaluation	(42,352)	6,600	-		-	-	-	(35,752)
At 31 March 2001	399,430	45,800	12,008		6,613	7,997	4,964	476,812
Accumulated depreciation:								
At beginning of year	-	-	897		3,788	4,827	2,501	12,013
Provided during the year	-	784	1,967		568	695	744	4,758
Disposals	-	-	-		-	(23)	(42)	(65)
Written back on revaluation	-	(784)	(1,861)		-	-	-	(2,645)
At 31 March 2001	-	-	1,003		4,356	5,499	3,203	14,061
Net book value:								
At 31 March 2001	399,430	45,800	11,005		2,257	2,498	1,761	462,751
At 31 March 2000	422,680	39,200	11,111		1,539	1,880	1,855	478,265
Analysis of cost or valuation:								
At cost	-	-	2,868		6,613	7,997	4,964	22,442
At valuation	399,430	45,800	9,140		-	-	-	454,370
	399,430	45,800	12,008		6,613	7,997	4,964	476,812

Certain 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 2001 by DTZ Debenham Tie Leung Limited, independent professional valuers, on an open market, existing use basis, at HK\$5,300,000 and HK\$9,140,000, respectively. The remaining leasehold land and buildings situated in Hong Kong, which were disposed of subsequent to the balance sheet date as further detailed in note 31(c) to the financial statements, with a carrying value of HK\$40,500,000 at 31 March 2001, were stated at the net disposal consideration.

Notes to Financial Statements 31 March 2001

12. FIXED ASSETS *(Continued)*

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

The leasehold land and buildings in Hong Kong are held under medium term leases as to the amount of approximately HK\$2,500,000 and under long term leases as to the amount of approximately HK\$43,300,000.

Had the Group's total leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$46,399,000 (2000: HK\$48,553,000).

Certain of the Group's leasehold land and buildings situated in Hong Kong, with carrying values of HK\$44,750,000 (2000: HK\$38,150,000) have been pledged to banks to secure general banking facilities granted to the Group (note 22).

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

	2001 HK\$'000
Hong Kong	
– long term leases	17,000
PRC	
– medium term leases	361,000
– long term leases	21,430
	399,430

All of the Group's investment properties in the PRC were revalued at 31 March 2001 by DTZ Debenham Tie Leung Limited, independent professional valuers, at HK\$382,430,000 on an open market, existing use basis. The investment properties in Hong Kong, which were pledged to a bank and disposed of subsequent to the balance sheet as further detailed in note 31(a) to the financial statements, were stated at the net disposal consideration.

Certain investment properties with carrying values of HK\$214,098,000 (2000: HK\$409,000,000) have been pledged to banks to secure banking facilities granted to the Group (note 22).

Further particulars of the Group's investment properties are set out on pages 63 to 65 of the Annual Report.

Notes to Financial Statements 31 March 2001

13. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	319,182	253,335
Additions	195,429	231,386
Transfer from properties held for development (note 14)	–	58,939
Attributable profits	–	41,900
	<u>514,611</u>	<u>585,560</u>
Less: Sales deposits and instalments received	–	(136,020)
	<u>514,611</u>	<u>449,540</u>
Provisions for diminutions in value	(10,701)	–
	<u>503,910</u>	<u>449,540</u>
Transfer to completed properties for sale	(139,702)	(130,358)
Transfer to investment properties	(19,102)	–
	<u>345,106</u>	<u>319,182</u>
Portion classified as properties under development for sale under current assets	<u>(282,891)</u>	<u>(108,966)</u>
	<u><u>62,215</u></u>	<u><u>210,216</u></u>

The properties under development of the Group are situated in the PRC and are held under medium term leases as to the amount of approximately HK\$147,517,000 and under long term leases as to the amount of approximately HK\$197,589,000.

Certain properties under development with carrying values of HK\$147,463,000 (2000: 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 66 to 67 of the Annual Report.

Notes to Financial Statements 31 March 2001

14. PROPERTIES HELD FOR DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	1,842,458	1,914,655
Additions	86,488	28,318
Provisions for permanent diminutions in values (note 26)	(310,168)	-
Transfer to properties under development (note 13)	-	(58,939)
Revaluation reserve eliminated upon reclassification to properties under development (note 26)	-	(41,576)
At 31 March 2001	1,618,778	1,842,458

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

During the year, the Group has obtained the approval from the relevant government authorities for the replacement of certain properties held for development included above with an aggregate carrying value of HK\$1,480 million as at 31 March 2001, by other properties in the PRC for future development by the Group. The finalisation of the replacement of the properties is in progress as at the date of these financial statements.

Further particulars of the Group's properties held for development are set out on pages 67 to 68 of the Annual Report.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	9,118	9,151
Amounts due from jointly-controlled entities	786	-
Amounts due to jointly-controlled entities	(9,866)	(11,219)
	38	(2,068)

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

Notes to Financial Statements 31 March 2001

15. 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.*

16. LONG TERM INVESTMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
Club membership debenture, at cost	560	560

17. 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.

18. COMPLETED PROPERTIES FOR SALE

The carrying amount of completed properties for sale carried at net realisable value is HK\$101,331,000 (2000: HK\$136,730,000).

Certain completed properties for sale with carrying values of HK\$40,826,000 (2000: HK\$203,691,000) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 22).

Further particulars of the Group's completed properties for sale are set out on pages 63 to 66 of the Annual Report.

Notes to Financial Statements 31 March 2001

19. TRADE RECEIVABLES

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

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

	Balance	2001 Percentage
	<i>HK\$'000</i>	
0 – 30 days	19,386	13
31 – 60 days	6,140	4
61 – 90 days	6,202	4
Over 90 days	116,268	79
	147,996	100

In the opinion of the directors, it is impracticable to prepare an aged analysis for the trade receivables as at 31 March 2000. Accordingly, a comparative aged analysis of trade receivables is not presented.

20. DUE TO THE ULTIMATE HOLDING COMPANY

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

21. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Balance	2001 Percentage
	<i>HK\$'000</i>	
0 – 30 days	36,263	39
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	56,018	61
	92,281	100

In the opinion of the directors, it is impracticable to prepare an aged analysis for the trade payable as at 31 March 2000. Accordingly, a comparative aged analysis of trade payables is not presented.

Notes to Financial Statements 31 March 2001

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts:		
Secured	9,325	8,228
Bank loans:		
Secured	352,001	408,464
Unsecured	19,703	22,950
	371,704	431,414
Other loans:		
Secured	74,350	107,015
Unsecured	15,279	-
	89,629	107,015
	470,658	546,657
Bank overdrafts repayable:		
within one year or on demand	9,325	8,228
Bank loans repayable:		
Within one year or on demand	284,927	357,219
In the second year	10,538	41,504
In the third to fifth years, inclusive	75,868	32,208
Beyond five years	371	483
	371,704	431,414
Other loans repayable:		
Within one year	32,963	107,015
In the second year	42,257	-
In the third to fifth years, inclusive	1,305	-
Beyond five years	13,104	-
	89,629	107,015
	470,658	546,657
Portion classified as current liabilities	(327,215)	(472,462)
Long term portion	143,443	74,195

Notes to Financial Statements 31 March 2001

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

- (a) Certain of the Group's bank loans are secured by:
 - (i) Certain leasehold land and buildings of the Group situated in Hong Kong with aggregate carrying values at the balance sheet date of HK\$45 million;
 - (ii) Certain investment properties of the Group with aggregate carrying values at the balance sheet date of HK\$214 million;
 - (iii) Certain properties under development of the Group with aggregate carrying values at the balance sheet date of HK\$147 million;
 - (iv) Certain completed properties for sale of the Group with aggregate carrying values at the balance sheet date of HK\$26 million; and
 - (v) Personal guarantees from three directors of the Company.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with aggregate carrying values of HK\$15 million at the balance sheet date. Other loans bear interest at rates ranging from 5.5% to 6.5% per annum.
- (c) Certain bank loans amounting to approximately HK\$71,840,000 were due for settlement in October 2000 and December 2001 under the original agreements. Pursuant to loan renewal agreements entered into between the Group and the bank subsequent to the balance sheet date, the bank agreed to extend the loan facilities to the Group as to the amount of HK\$57,600,000 to May 2004 and the remaining amount of HK\$14,240,000 was repaid in May 2001. Accordingly, the bank loans with amount of HK\$57,600,000 have been classified as non-current liabilities at the balance sheet date.

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. The balance will not be payable within one year because the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

Notes to Financial Statements 31 March 2001

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\$444 million (2000: HK\$523 million) in respect of the surplus arising from the revaluation of certain investment properties and properties held for development, and an unrecognised deferred tax asset of approximately HK\$6 million (2000: HK\$4 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.

25. SHARE CAPITAL

	2001 HK\$'000	2000 HK\$'000
Shares		
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	150,000	150,000
Issued and fully paid:		
640,000,000 ordinary shares of HK\$0.10 each	64,000	64,000

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 the 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).

Notes to Financial Statements 31 March 2001

25. SHARE CAPITAL *(Continued)*

Options

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.

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 shares 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.

With effect from the completion of the rights issue of shares in the Company, as further detailed in note 31(b) to the financial statements, the number of shares to be issued upon the exercise of all outstanding share options was adjusted from 54,600,000 shares to 87,360,000 shares and the exercise price of the share options was adjusted from HK\$0.32 per share to HK\$0.20 per share.

Notes to Financial Statements 31 March 2001

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 1999	289,500	131,803	814	4,631	151,456	1,623,131	(472)	151,189	2,352,052
Capital reserve on acquisition of a subsidiary	-	-	707	-	-	-	-	-	707
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
At 31 March 2000 and beginning of year	289,500	131,803	1,521	3,973	102,456	1,585,938	(472)	161,568	2,276,287
Capital reserve on acquisition of additional interests in subsidiaries	-	-	8,331	-	-	-	-	-	8,331
Surplus/(deficit) on revaluation	-	-	-	7,078	(42,352)	-	-	-	(35,274)
Provisions for permanent diminutions in values of properties held for development (note 14)	-	-	-	-	-	(310,168)	-	-	(310,168)
Net loss for the year	-	-	-	-	-	-	-	(93,328)	(93,328)
At 31 March 2001	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,240	1,845,848
Reserves retained by:									
Company and subsidiaries	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,284	1,845,892
Jointly-controlled entities	-	-	-	-	-	-	-	(44)	(44)
31 March 2001	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,240	1,845,848
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

Notes to Financial Statements 31 March 2001

26. RESERVES (Continued)

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 1999	289,500	2,409,483	(346,931)	2,352,052
Net loss for the year	-	-	(75,765)	(75,765)
At 31 March 2000 and beginning of year	289,500	2,409,483	(422,696)	2,276,287
Net loss for the year	-	-	(430,512)	(430,512)
At 31 March 2001	289,500	2,409,483	(853,208)	1,845,775

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.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Operating profit/(loss) from operating activities	(65,610)	52,398
Interest income	(164)	(519)
Depreciation	4,758	2,089
Loss on disposal of fixed assets	79	46
Revaluation surplus on leasehold land and buildings	(2,167)	(854)
Provisions/(write back of provisions) for diminutions in values of properties under development and completed properties for sale	41,399	(900)
Provisions for doubtful debts	14,980	1,648
Decrease/(increase) in properties under development	(183,337)	11,669
Increase in properties held for development	(37,670)	(28,318)
Decrease/(increase) in trade receivables	(15,966)	225,067
Decrease/(increase) in completed properties for sale	195,232	(2,304)
Decrease in prepayments, deposits and other receivables	26,192	6,201
Increase in trade payables	47,938	1,116
Increase in other payables and accruals	3,051	18,850
Increase/(decrease) in deposits received	(1,294)	5,022
Increase in amount due to the ultimate holding company	-	1,124
Net cash inflow from operating activities	27,421	292,335

Notes to Financial Statements 31 March 2001

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	Due to the ultimate holding company HK\$'000
At 1 April 1999	675,213	249,476	9,606	51,242
Net cash outflows from financing	(136,784)	(71,154)	-	-
Share of results for the year	-	-	5,784	-
Increase in amount due to ultimate holding company	-	-	-	1,124
Revaluation reserve eliminated by minority shareholders upon reclassification to properties under development	-	-	(4,383)	-
At 31 March 2000 and 1 April 2000	538,429	178,322	11,007	52,366
Net cash inflows/(outflows) from financing	(77,096)	-	-	79,405
Share of results for the year	-	-	2,062	-
Acquisition of additional interests in subsidiaries	-	-	(8,888)	-
Additions for properties held for development	-	48,818	-	-
At 31 March 2001	461,333	227,140	4,181	131,771

Notes to Financial Statements 31 March 2001

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of a subsidiary

	2001 HK\$'000	2000 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

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

	2001 HK\$'000	2000 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	-	(137)

The subsidiary acquired in the prior 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 that year.

28. CONTINGENT LIABILITIES

At 31 March 2001, the Group has given guarantees to the extent of approximately HK\$271,776,000 (2000: HK\$60,482,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 31 March 2001, the Company has given guarantees to the extent of approximately HK\$181,077,000 to banks for facilities granted to its subsidiaries.

Notes to Financial Statements 31 March 2001

29. COMMITMENTS

- (a) Capital commitments:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property development expenditure:				
Contracted for	81,703	57,660	-	-
Authorised, but not contracted for	318,852	400,455	-	-
	400,555	458,115	-	-

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	456	38	-	-
In the second to fifth years, inclusive	-	156	-	-
	456	194	-	-

- (c) Pursuant to a sale and purchase agreement and a supplemental agreement thereto, in respect of the sales by the Group of certain completed properties (the "Properties") to a third party (the "Purchaser"), the Group has guaranteed to pay the Purchaser a return of RMB10 million on 31 December 2001 in return for the entitlement to all of the revenue received from the leasing of the said Properties.

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 up to 31 December 2000. During the year, the Group earned a sum of HK\$495,000 from this arrangement.

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

Notes to Financial Statements 31 March 2001

30. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) 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. POST BALANCE SHEET EVENTS

- (a) On 19 March 2001, the Group entered into a sale and purchase agreement with an independent third party for the disposal of an investment property situated in Hong Kong for a cash consideration of approximately HK\$17 million. The transaction was completed on 22 May 2001.
- (b) On 24 April 2001, the Company issued a total of 384 million ordinary shares of HK\$0.10 each in the Company by way of a rights issue of shares on the basis of three rights shares for every five existing shares held at a cash price of HK\$0.16 per rights share (the "Rights Issue"). The net proceeds from the Rights Issue aggregating approximately HK\$58 million will be used for the repayment of the amount due to the ultimate holding company.
- (c) On 7 May 2001, the Group entered into a sale and purchase agreement with an independent third party for the disposal of a property, held as fixed assets, situated in Hong Kong for a cash consideration of approximately HK\$42 million. The transaction was completed on 29 June 2001.

32. 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/Hong Kong	US\$200 Ordinary	100%	Investment holding

Notes to Financial Statements 31 March 2001

32. 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/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Brimmington Holdings Inc.	British Virgin Islands/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
CHT Realty Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Dormant
Coastal Comfort Property Management (Fuzhou) Ltd.#	PRC	RMB1,000,000	100%	Dormant
Coastal Decoration Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Dormant
Coastal Fujian Group Limited	Hong Kong	HK\$2 Ordinary	100%	Dormant
Coastal Greenland Development (An Shan) Ltd.^	PRC	RMB50,000,000	96%	Property development
Coastal Greenland Development (Fujian) Ltd.#	PRC	US\$10,000,000	100%	Property development
Coastal Greenland Development (Shenzhen) Ltd.#	PRC	US\$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100%	Property development

Notes to Financial Statements 31 March 2001

32. 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 (Xiamen) Ltd.#	PRC	RMB100,000,000	100%	Property development
Coastal Realty Agency Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Dormant
Coastal Realty Consultancy Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary	100%	Dormant
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%	Dormant
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding
Comfort Property Management (Anshan) Ltd.#	PRC	RMB1,000,000	100%	Property management
Coastal Realty (China) Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	Dormant
Comfort Property Management (Shenzhen) Ltd.#	PRC	US\$121,000	100%	Property management

Notes to Financial Statements 31 March 2001

32. 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 (Wuhan) Ltd.#	PRC	HK\$1,000,000	100%	Property management
Comfort Property Management (Xiamen) Ltd.#	PRC	RMB3,000,000	100%	Property management
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Dormant
Dragon Reach Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Dormant
Drummond Overseas Inc.	British Virgin Islands/Hong Kong	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
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Gear Up Finance (BVI) Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary	100%	Investment holding
Gear Up Finance Limited	Hong Kong	HK\$2 Ordinary	100%	Dormant
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment

Notes to Financial Statements 31 March 2001

32. 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):				
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom View Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Pacific Island Limited	British Virgin Islands/Hong Kong	US\$3 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Princely Wealth Limited	British Virgin Islands/Hong Kong	US\$100 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd.^	PRC	RMB10,000,000	100%	Property development
Shanghai Coastal Greenland Real Estate Ltd.^	PRC	RMB20,000,000	100%	Property development
Shanghai Ling Zhi Properties Co., Ltd.^	PRC	US\$25,000,000	100%	Property development
Shanghai Wu Tian Property Management Services Co., Ltd.^	PRC	RMB3,000,000	100%	Property management
Singhouse Investment Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary	100%	Investment holding
Star Plus Development Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary	100%	Investment holding

Notes to Financial Statements 31 March 2001

32. 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):				
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Super Super Management Limited	British Virgin Islands/Hong Kong	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%	Dormant
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
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 2001.

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

(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.

wholly foreign owned enterprise
* wholly PRC owned enterprise
^ contractual joint venture

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 25 July 2001.

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 2001 (sq.m.)	Interest in the development attributable to the Group	Completion date
THE PRC						
Anshan Greenland IT City Phase I and II	Wangyu Rd. & east of Shenying Rd. District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	183,959	42,478	96%	June 2000 & December 2000
Qingdao Xiang Hai Garden Phase I	Jiangshan Road Qingdao Economic and Technological Development Zone Qingdao	residential with attached commercial area	7,891	1,913	50%	November 1994
Shanghai Golden Bridge Garden	103 Dong Zhu An Bin Road Changning District Shanghai	residential with attached commercial area	65,908	10,748	100%	November 1997
Shenzhen Dragon Court Phase I	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/retail	25,322	1,181	100%	March 2000
Wuhan Wah Zhong Trade Plaza	Liyen Alley Jiangnan District Wuhan	commercial	79,985	64,632	100%	December 1996
Xiamen Lu Jiang New City Phase II	Luling Road, Lianhua Road, Xiamen	residential	42,013	11,695	100%	August 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 2001 (sq.m.)	Interest in the development attributable to the Group	Completion date
<i>THE PRC - (Continued)</i>						
Xiamen Xiang Jiang Garden	Junction of Lianhua South Road and Jiahe Road Lianhua District Xiamen	residential/ commercial	99,355	6,050	100%	December 1993
Fuzhou International Mansion <i>(note 1)</i>	Unit 5C, Wusi Road Gulou District Fuzhou	office		307		1990

Note 1: Developed by other PRC independent developer.

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 2001 (sq.m.)	Interest in the development attributable to the Group	Completion date
HONG KONG						
City One Shatin <i>(note 1, 2)</i>	Flat E, 7th Floor, Block 23 3 Tak Wing Street, Shatin Hong Kong	residential		41		1982
City One Shatin <i>(note 1, 2)</i>	Flat C, 4th Floor, Block 8 5 Tak Kei Street Hong Kong	residential		30		1981
Vienna Mansion <i>(note 1, 2)</i>	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	residential		109		1958
World-Wide House <i>(note 1, 3)</i>	Room 1402, 14th Floor 19 Des Voeux Road Central Hong Kong	commercial		473		1980
World-Wide House <i>(note 1, 4)</i>	Room 1409, 14th Floor 19 Des Voeux Road Central Hong Kong	commercial		165		1980

Note 1: The area held by the Group represents saleable area.

Note 2: Residential property occupied by the Group as staff quarters.

Note 3: Mainly occupied by the Group as office during the year. Subsequent to the year end date, the property was sold to an independent third party.

Note 4: Held by the Group as an investment property. Subsequent to the year end date, the property was sold to an independent third party.

Note 5: All the properties in Hong Kong held by the Group are developed by other independent developers.

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 2001 (sq.m.)	Interest in the development attributable to the Group	Completion date
Belgravia Court Block 2	999 Pubei Road Xuhui District Shanghai	residential	11,387	406	100%	December 1994
Golden Bridge Mansion	2077 Yanan West Road Changning District Shanghai	residential/ commercial	35,768	7,365	100%	August 1993

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)
Anshan Greenland IT City Phase III	Wangyu Road and east of Shenyang Road, District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	45,830	96%	2002
Fuzhou Roman Garden	156-158 Hualin Road and 1 Hebian Road Gulou District Fuzhou	residential	40,443	100%	2002
Qingdao Xiang Hai Garden, Phase II	Jiangshan Road, Qingdao Economic and Technological Development Zone Qingdao	residential	7,296	50%	(Note 2)
Shanghai Ritz Villa Phase I	Lot 53, Xinqiao, Songjiang District Shanghai	residential	60,172	100%	2002

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 (Note 1)
Shenzhen Dragon Court Tower II	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/ commercial/ office	29,260	100%	2002
Xiamen Lu Jiang New City, Phases III and IV	Luling Road, Lianhua Road, Xiamen	residential with attached commercial area	75,483	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
Anshan Greenland IT City, excluding Phase I, II and III north of Wuangyu 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	115,807	212,871	96%
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%
Ritz Villa Lot 53, Xinqiao, Songjiang District	Shanghai	residential	181,989	134,504	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
East of Gui Hill, Ximachang Street, Hanyang District	Wuhan	commercial/ residential	16,080	80,400	100%
Hanyang Road, Cuiweiheng Street and Xiqiao Road, Hanyang District	Wuhan	commercial/ residential	40,560	202,800	100%
Junction of Minzu Road and Changdi Street, Jianghan District	Wuhan	commercial/ residential	33,390	166,950	100%
Junction of railway and Wulihandong Road, Wuliyi Village, Hanyang District	Wuhan	commercial/ residential	13,140	65,700	100%
Three lots of land north of Daxing Road, south of Minquan Road and east of Tongyi Street, Jianghan District	Wuhan	commercial/ residential	77,700	388,500	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%
Two lots of land between Hualou Street and Huangpo Street, Jianghan District	Wuhan	commercial/ residential	47,560	237,800	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Tang Room, 4/F., Furama Hotel, 1 Connaught Road Central, Hong Kong on Tuesday, 28 August 2001 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2001.
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 of Hong Kong Limited 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
 - (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);

Notice of Annual General Meeting

(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

"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 or 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 July 2001

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.