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### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 502  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Hong Kong  
Tel: (852) 2877-9772  
Fax: (852) 2524-0931

### 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

### 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. TANG Lap Yan  
Mr. LAW Kin Ho\*\*\*  
Mr. WONG Ying Ho, Kennedy\*\*\*\*

### COMPANY SECRETARY

Mr. CHENG Wing Bor FCCA, AHKSA

### AUDITORS

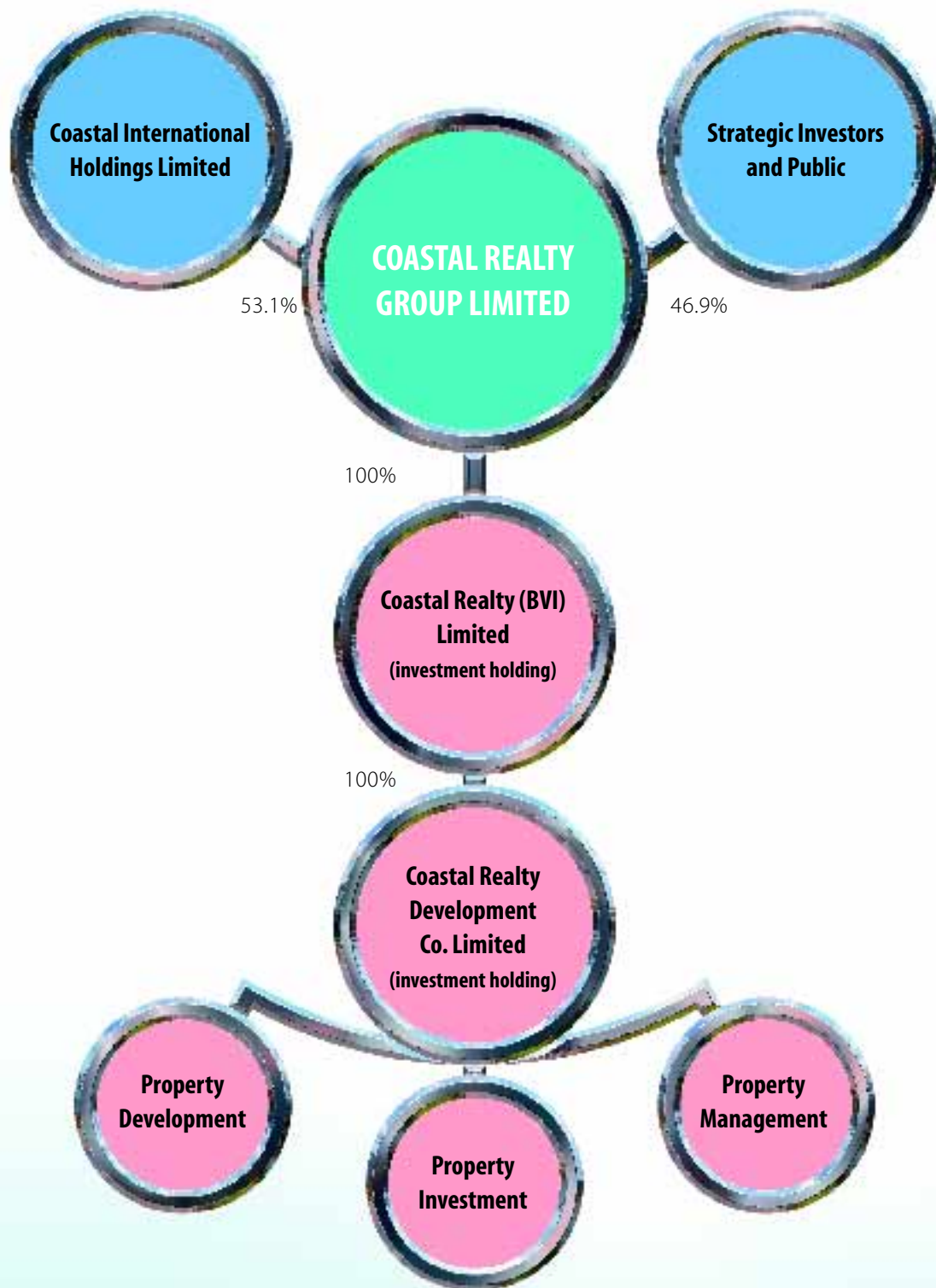
Ernst & Young  
Certified Public Accountants

\* *Retired and resigned on 13 August 2001*

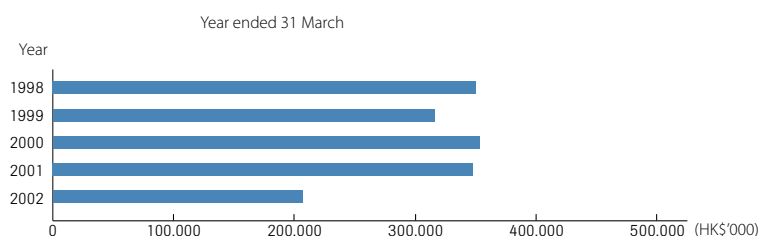
\*\* *Resigned on 13 August 2001*

\*\*\* *Appointed on 29 July 2002*

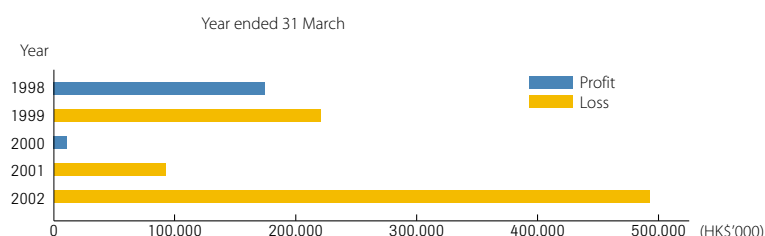
\*\*\*\* *Resigned on 29 July 2002*



## Turnover



## Net profit/(loss) attributable to shareholders



## RESULTS

The following is a summary of the published consolidated results of the Group for the last five financial years as extracted from the audited financial statements and adjusted for the effects of the retrospective changes in accounting policy affecting dividends as further detailed in note 3 to the financial statements, is set out below:

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>201,996</b>	355,562	369,665	314,022	361,300
Profit/(loss) before tax	<b>(494,121)</b>	(92,737)	17,793	(206,932)	187,844
Net profit/(loss) from ordinary activities attributable to shareholders	<b>(499,507)</b>	(93,328)	10,379	(228,794)	171,000
Dividends	-	-	-	-	25,600

## ASSETS, LIABILITIES AND MINORITY INTERESTS

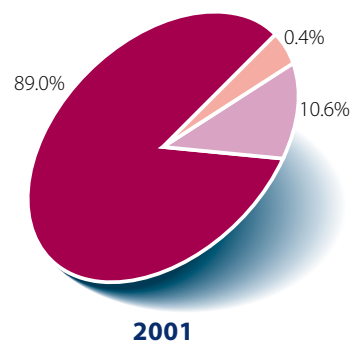
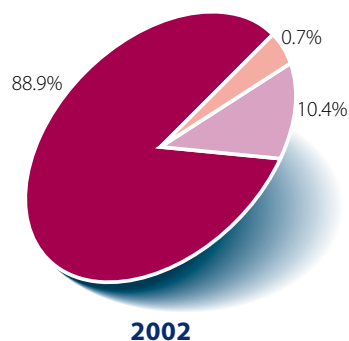
	As at 31 March				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>2,580,427</b>	2,952,729	3,289,360	3,548,669	4,021,515
Total liabilities	<b>(1,097,713)</b>	(1,038,700)	(938,066)	(1,123,011)	(1,207,806)
Minority interests	<b>(7,578)</b>	(4,181)	(11,007)	(9,606)	(9,272)
Net assets	<b>1,475,136</b>	1,909,848	2,340,287	2,416,052	2,804,437

Note 1: The net assets of the Group as at 31 March 1998 have been adjusted for the effects of the retrospective change in accounting policy for dividends declared after the balance sheet date, details of which are set out in note 3 to the financial statements.

## ANALYSIS OF TURNOVER AND PROFIT/(LOSS)

### Turnover by activity

- Sale of properties
- Rental income
- Property management



### Year ended 31 March

### Turnover by activity

- Sale of properties
- Rental income
- Property management

Total

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>179,574</b>	316,574
	<b>21,110</b>	37,718
	<b>1,312</b>	1,270
	<b>201,996</b>	355,562

### Year ended 31 March

### Profit /(loss) before tax by activity

- Sale of properties
- Rental income
- Property management
- Corporate and other

Interest income

Loss from operating activities

Finance costs

Share of profits and losses of jointly-controlled entities

Loss before tax

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(448,302)</b>	(64,335)
	<b>1,780</b>	17,197
	<b>548</b>	481
	<b>(28,042)</b>	(19,117)
	<b>(474,016)</b>	(65,774)
	<b>157</b>	164
	<b>(473,859)</b>	(65,610)
	<b>(17,900)</b>	(27,094)
	<b>(2,362)</b>	(33)
	<b>(494,121)</b>	(92,737)

On behalf of Coastal Realty Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I hereby present to the shareholders my report on the operations of the Group for the year ended 31 March 2002 as follows.

### RESULTS

For the financial year ended 31 March 2002, the Group has recorded a turnover of about HK\$202 million and a net loss attributable to shareholders of approximately HK\$499.51 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 Group has gone through another difficult financial year. The continual drop in the selling prices of the Group's old aged projects has adversely affected the operating results of the Group significantly. The net loss attributable to shareholders for the year mainly arose from provisions for impairment of properties held for development, properties under development and completed properties for sale totalling approximately HK\$510 million of which approximately HK\$380 million was resulted from replacement of certain land parcels in Wuhan and approximately HK\$95 million arose from a recent alteration to the plan of development of certain properties under development imposed by relevant local government authorities. While the Group has been taking aggressive actions to realize its old aged projects, it does not overlook the importance of developing new projects. Development of a number of new projects has been commenced during the year, namely, Phase I of Shanghai Ritz Villa, Phase IV of Xiamen Lu Jiang New City and Phase I of Wuhan Ritz Garden. Furthermore, the ongoing development projects, namely Phase II of Shenzhen Dragon Court, Phase III of Xiamen Lu Jiang New City, Fuzhou Roman Garden and Phase III of Anshan Greenland IT City have been making progresses during the year. A majority of these projects have started to generate revenue for the Group for the year and it is anticipated that their contribution to the Group's operating results will become significant in the coming year when the constructions are completed and sales make advances. For property leasing business, the overall rental income level remains weak for the year. However, Wuhan Wah Zhong Trade Plaza has shown significant improvement in its occupancy rate that substantially all the lettable floor area was leased out. It is anticipated that the rental income level for this property will greatly improve in the coming year.



**Mr. CHAN Boon Teong**

*chairman*

In respect of land reserve, the Group has successfully concluded with the relevant government authorities the replacement of seven parcels of land in Wuhan with 1,950 mu (about 1.3 million square meters) of land parcels situated in a new town district in Wuhan during the year. Development of Phase I of Wuhan Ritz Garden has been started on one of these land parcels during the year. In addition, the Group has acquired a land parcel in Beijing during the year. It is planned that the land in Beijing will be developed into a villa estate.

### OUTLOOK

The economic growth in China is expected to remain strong in the coming year. It is expected that China will be able to attain a GDP growth of about 7% in 2002. China's successful accession to the WTO and successful bid for hosting the 2008 Olympic Games in Beijing are positive factors that will enable China to sustain the continuous economic growth in the coming years.

It is anticipated that China's real estate market will stay active and prosperous in the years ahead. Domestic demand for residential properties will continue to be strong as family income improves, bank interest rates stay low, and government's policies in encouraging household owned real estate properties continue. It is also expected that high quality housing at affordable prices with more added values, such as community services, telecommunication facilities and quality property management services, will be well received in the domestic market. Nevertheless the property market is expected to be highly competitive as supply will be dominating the market in the near to medium term. The Group is confident that it is well positioned to face the challenges and capture the opportunities ahead.

### APPRECIATION

During the year, Mr. Shea Lam Sui retired and resigned as Executive Director and Mr. Lin Chen Chun on his own accord resigned as Non-executive Director. Mr. Wong Ying Ho, Kennedy, on his own accord resigned as Independent Non-executive Director subsequent to the year end date on 29 July 2002. On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to Mr. Shea, Mr. Lin and Mr. Wong for their valuable contributions during their tenure.

Mr. Law Kin Ho was appointed as Independent Non-executive Director subsequent to the year end date on 29 July 2002. On behalf of the Board of Directors, I would like to take this opportunity to welcome him on board.

I am also very thankful to other directors and all the staff for their continuing contribution and dedication to the Group over the year.

### **Chan Boon Teong**

*Chairman*

Hong Kong  
30 July 2002

## BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$202 million for the financial year ended 31 March 2002, a decrease of about 43% 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 below:

	Year ended 31 March		2001	
	2002 Turnover HK\$'000	Contribution to operating results HK\$'000	Turnover HK\$'000	Contribution to operating results HK\$'000
Sale of properties	179,574	(448,302)	316,574	(64,335)
Rental income	21,110	1,780	37,718	17,197
Property management	1,312	548	1,270	481
Corporate and other	-	(28,042)	-	(19,117)
Interest income	-	157	-	164
Total	<b>201,996</b>	<b>(473,859)</b>	355,562	(65,610)

Note: Certain prior year figures have been reclassified to conform to the current year's presentation.

The Group's turnover for the year was mainly derived from operations in the mainland of the People's Republic of China.

The turnover of approximately HK\$179.57 million for sale of properties for the year is about 43.28% lower than that of last year. The decline was primarily attributable to a slow down in the sale of Anshan Greenland IT City as a result of increased competition in the local market and the fact that lesser developed or developing floor areas were available for sales or pre-sales during the year. The sale revenue for the year mainly came from sales or pre-sales of Phase II and III of Xiamen Lu Jiang New City, Phases I, II and III of Anshan Greenland IT City, Shanghai Golden Bridge Garden and Wuhan Wah Zhong Trade Plaza, which respectively accounted for 34.24%, 31.13%, 13.39% and 10.07% of the turnover for sale of properties. The balance of 11.17% was mainly contributed from the sales of the small remaining areas in Phase I of Shenzhen Dragon Court and Shanghai Belgravia Court and the initial pre-sale of Phase I of Shanghai Ritz Villa and Phase II of Shenzhen Dragon Court.

Compared with last year, rental income for the year has reduced by about 44.03% to approximately HK\$21.11 million. The decrease was mainly due to the termination of the leasing arrangement undertaken by the Group for certain properties in Shanghai Golden Bridge Garden purchased by a third party and the disposal of a rental generating property in Hong Kong World-Wide House during the year. Wuhan Wah Zhong Trade Plaza, Shanghai Golden Bridge Garden and Shanghai Golden Bridge Mansion continued to be the main rental income generators and their rental respectively accounted for about 57.19%, 32.24% and 9.46% of the rental income for the year. Rental income recorded from leasing of Shanghai Golden Bridge Mansion remained weak as the sluggish market situation continuously exerted pressure on the rental and occupancy rates of the property during the year. However, there had shown a significant improvement in the leasing of Wuhan Wah Zhong Trade Plaza that substantially all the lettable floor area in the property was leased out. As a result, rental income generated from Wuhan Wah Zhong Trade Plaza had increased to about HK\$12.07 million from last year's HK\$7.40 million.



### **BUSINESS ANALYSIS** (Continued)

A slight increase of 3.31% in property management income was recorded for the year as compared with last year. The improvement was due to the fact that the Group has started to provide property management services for Phase II of Anshan Greenland IT City during the year.

Included in contribution to operating results under the "Corporate and other" category was a loss of about HK\$7.72 million arose from disposal of an investment property during the year. The balance represented corporate general and administrative expenses which was at about the same level as last year.

The Group has recorded a net loss attributable to shareholders of approximately HK\$499.5 million for the year, compared to a net loss attributable to shareholders of approximately HK\$93 million for last year. The loss for the year was largely due to the followings:

1. Provision for impairment of certain properties held for development of approximately HK\$379.65 million upon replacement of land during the year (*Note i*);
2. Provision for impairment of certain properties under development of approximately HK\$94.69 million was made during the year (*Note ii*);
3. Provision for impairment of certain completed properties for sale of approximately HK\$36 million was made for the year;
4. A loss of about HK\$5.38 million was incurred from realization of certain car parking spaces in Shanghai Golden Bridge Garden pursuant to a sale campaign launched for Shanghai Golden Bridge Garden during the year;
5. Realisation of revaluation deficit of HK\$7.72 million upon disposal of an investment property during the year;
6. Lesser developed or developing floor areas were available for sales or pre-sales during the year as new developments were progressing at slower paces than expected;
7. A substantial part of the properties sold during the year were old aged projects with lower profit margin; and
8. Rental income for the year had decreased owing to the termination of the leasing arrangement with a purchaser of certain properties sold by the Group as mentioned in the foregoing paragraph.

*Note i:* The Group had concluded with the relevant local government authorities the replacement of the seven parcels of land in Wuhan with 1,950 mu (about 1.3 million sq.m.) of land parcels situated in a new town district in Wuhan. As a consequence of the exchange of assets, the attributable revaluation reserve of the seven parcels of land being replaced amounting to approximately HK\$1,256.21 million has been transferred to retained profits upon the replacement and a provision for impairment of the properties held for development of approximately HK\$379.65 million was made based on a valuation performed by an independent professional valuer firm on these new land parcels as at 31 March 2002. Also, upon the replacement, there is a reduction in land grant fees payable of approximately HK\$63.65 million, representing the difference between the fees payable for the new properties and the properties being replaced, which has been credited to the profit and loss account.

*Note ii:* The impairment is mainly caused by a recent alteration to the plan of development of certain properties under development imposed by local relevant government authorities.

### REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group continues its business strategy of focusing on developing quality residential estates for PRC middle class domestic market. 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 a large-scale developments of the Group and has a total site area of about 268,807 sq.m. which is being developed in phases into a low density residential estate with ancillary facilities and attached commercial area.

The construction of Phases I and II with a total GFA of 183,959 sq.m. had been completed. As at the end of the year about 84% of the GFA in these two phases had been sold.

The construction of Phase III with a GFA of approximately 48,339 sq.m. was started in March 2001 and was completed in April 2002. Phase III mainly comprises low density residential properties with about 4,066 sq.m. commercial area. As at the end of the year, about 35% of the GFA in Phase III had been pre-sold.

The construction of Phase IV with a total GFA of approximately 32,148 sq.m. comprising residential, commercial and car parking area was commenced in April 2002 and is expected to be completed in January 2003. Pre-sale of Phase IV was started in May 2002.

#### **Beijing Ritz Garden Villa**

The development has a site area of 410,000 sq.m. and is planned to be developed into a villa estate. The detailed development plan for this project is still in process at this stage.

#### **Fuzhou Roman Garden**

The development is a residential building with a total GFA of 40,443 sq.m. of which about 35,222 sq.m. is residential area and about 5,221 sq.m. is car parking space and storage space located on two basement levels.

The construction of the development is expected to be completed in December 2002 and pre-sale of the development is planned to be commenced in September 2002.

#### **Qingdao Xiang Hai Garden**

The joint venture company for this project has entered into an agreement with an independent third party during the year for the disposal of all its property interests in this project to the independent third party. As at the end of the year, the agreement has still not yet been completed. It is anticipated that no significant profit or loss will arise from the disposal for the Group.

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

#### **Shanghai Belgravia Court, Block 2**

All the remaining GFA in Shanghai Belgravia Court, Block 2 had been sold during 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 about 92% of the GFA had been sold and a small remaining GFA of about 5,242 sq.m. was held for sale.

#### **Shanghai Golden Bridge Mansion**

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 developing on a land parcel with a total site area of 259,984 sq.m. The development is planned to be carried out in phases.

Phase I of the development has a total GFA of 59,939 sq.m. The construction was started in July 2001 and is expected to be completed in September 2002. Pre-sale was commenced in January 2002. As at the end of the year, about 6% of the GFA had been pre-sold.

#### **Shenzhen Dragon Court**

Shenzhen Dragon Court is a residential/commercial development with two residential buildings and two levels of commercial podium.

Phase I (Tower I) of the development was completed in March 2000 with a total GFA of 25,322 sq.m., of which, about 97% had been sold as at the end of the year and the remaining GFA of about 832 sq.m. (mainly car parking spaces) was held for sale.

The construction of Phase II (Tower II) of the development was started in September 2000 and is planned to be completed in March 2003. Phase II has a total GFA of 29,260 sq.m. comprising residential, commercial and office area and car parking spaces. Pre-sale of Phase II was started in March 2001 and as at the end of the year about 18% of the GFA had been pre-sold.

The Group is still negotiating to acquire the land parcel with a site area of about 5,024 sq.m. adjacent to the development which will become Phase III of the development when acquired. It is not certain at this stage that the acquisition will be materialized as the Land Administration Bureau in Shenzhen has recently altered the plan of the development which might affect the commercial viability of the development.

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

#### **Wuhan Wah Zhong Trade Plaza**

Wuhan Wah Zhong Trade Plaza is a 9-floor commercial/office building with a total GFA of 79,985 sq.m. As at the end of the year, the Group held about 45,359 sq.m. of the GFA on level 1 to 6 of the development as investment property, and car parking area in the basement and office area on level 8 to 9 totalling about 14,781 sq.m. as properties held for sale.

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

#### **Wuhan Ritz Garden**

The development is carried out on one of the new land parcels that have replaced the seven parcels of land the Group originally held in Wuhan and is being developed in two phases into a residential estate with ancillary facilities and attached commercial area with a total GFA of approximately 300,000 sq.m.

The construction of Phase I with a GFA of 108,334 sq.m. has been commenced in March 2002 and is expected to be completed in mid 2003. Pre-sale of Phase I is expected to be started in September 2002.

#### **Xiamen Lu Jiang New City**

Xiamen Lu Jiang New City is a large-scale residential development. The development has a total site area of 36,721 sq.m. and is being developed into a residential estate with ancillary facilities and attached commercial area in four phases.

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

Phase II was completed in August 2000 and had a total GFA of approximately 42,013 sq.m., of which, about 74% had been sold as at the end of the year and a remaining area of 10,893 sq.m. (mainly car parking spaces) was held for sale.

The construction of Phase III with a GFA of 29,237 sq.m. is expected to be completed in September 2002. As at the end of the year, about 75% of the GFA in Phase III had been pre-sold.

The construction of Phase IV was commenced in March 2002 and is expected to be completed in late 2003. Phase IV of the development has a total GFA of 45,864 sq.m., comprising about 38,370 sq.m. residential area and 3,632 sq.m. commercial area. Pre-sale of Phase IV was started in June 2002.

#### **Xiamen Xiang Jiang Garden**

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

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

### Unit 1402, World-Wide House, Hong Kong

The property which was used as the Group's head office in Hong Kong, was sold to an independent third party during the year.

### Unit 1409, World-Wide House, Hong Kong

The property which was held as an investment property by the Group was sold to an independent third party during the year.

## LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

During the year, the Group has concluded with the relevant government authorities the replacement of the seven parcels of land in Wuhan with 1,950 mu (about 1.3 million sq.m.) land parcels in a new town district in Wuhan. About 125 mu (approximately 83,333 sq.m.) in these new land parcels had been deployed for the development of Phase I of Wuhan Ritz Garden with a planned GFA of about 108,334 sq.m.

During the year, the Group had also deployed a site area of 10,700 sq.m. from its Anshan landbank for the development of Phase IV of Anshan Greenland IT City which has a GFA of approximately 32,148 sq.m.

As the joint venture company for Qingdao Xiang Hai Garden has entered into an agreement with a independent third party to dispose of all its property interests in Qingdao Xiang Hai Garden, the landbank relating to this development was removed from the Group's landbank portfolio.

The landbank of the Group are located in Anshan, Shanghai and Wuhan. A summary of the landbank is set out below:

<b>Landbank</b>	<b>Site area of the development <i>(sq.m.)</i></b>	<b>Estimated GFA of the development <i>(sq.m.)</i></b>	<b>Interests of the development attributable to the Group</b>
Anshan Greenland IT City (excluding Phase I, II, III & IV)	105,107	179,521	96%
Shanghai Ritz Villa (excluding Phase I)	181,989	134,504	100%
Wuhan - new parcels of land (excluding Phase I of Wuhan Ritz Garden)	1,216,667	2,391,666	100%
<b>Total</b>	<b>1,503,763</b>	<b>2,705,691</b>	

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

The landbank are capable of being developed into properties with a total GFA of approximately 2.71 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.

The Group will persistently seek for suitable landbank additions for its future development. Currently, certain negotiations are underway between the Group and a number of independent third parties regarding acquisition of certain land parcels in major cities of the PRC. There is no assurance that these negotiations will bring to fruition in future.

### **FINANCIAL RESOURCES AND LIQUIDITY**

For the year ended 31 March 2002, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings and equity fund raisings.

During the year, the Company has completed a rights issue of 384,000,000 new shares of HK\$0.10 each on the basis of three rights shares for every five existing shares held taken up at a subscription price of HK\$0.16 per rights share. In accordance with the plan for the use of proceeds as stated in the rights issue circular and prospectus, the net proceeds of approximately HK\$60 million had been applied towards the repayment of part of the liability due to the ultimate holding company of the Company. As a result of the rights issue, the capital base of the Company was broadened whereby the financial position of the Group was strengthened.

As at 31 March 2002, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$423 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 7.97% to about 28.68% from about 20.71% last year. The increase in the net debt to equity ratio is mainly due to the decrease in total net assets of the Group from about HK\$1,910 million to about HK\$1,475 million.

## BORROWINGS AND CHARGES

At 31 March 2002, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<i>HK\$'000</i>
Bank overdraft repayable:	
Within one year or on demand	9,141
Bank loans repayable:	
Within one year or on demand	284,702
In the second year	63,384
In the third to fifth years, inclusive	111,468
	<u>459,554</u>
Other loans repayable:	
Within one year or on demand	66,542
In the second year	558
In the third to fifth years, inclusive	1,673
Beyond five years	12,037
	<u>80,810</u>
	<u><u>549,505</u></u>

An analysis by currency denomination of the above borrowings is as follows:

	<i>HK\$'000</i>
Renminbi	442,149
Hong Kong dollars	93,424
United States dollars	13,932
	<u>549,505</u>

The borrowings bear interest rates based on normal commercial terms.

### **BORROWINGS AND CHARGES** *(Continued)*

- (a) Certain of the Group's borrowings are secured by:
- (i) Certain leasehold land and buildings of the Group situated in Hong Kong with aggregated carrying value at the balance sheet date of approximately HK\$3 million;
  - (ii) Certain investment properties of the Group with aggregate carrying value at the balance sheet date of approximately HK\$305 million;
  - (iii) Certain properties under development of the Group with aggregate carrying value at the balance sheet date of approximately HK\$324 million;
  - (iv) Certain completed properties for sale of the Group with aggregate carrying value at the balance sheet date of approximately HK\$20 million;
  - (v) Corporate guarantees from the Company and its subsidiary companies; and
  - (vi) Personal guarantees from two directors and one former director of the Company.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$22 million at the balance sheet date.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renminbi. The exchange rate for Renminbi has been stable over the past few years and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renminbi in the foreseeable future. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

### **CONTINGENT LIABILITIES**

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

### **EMPLOYEES AND REMUNERATION POLICY**

The Group employs a total of about 960 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and share options.



### EXECUTIVE DIRECTORS

**Mr. Chan Boon Teong**, aged 60, 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 31 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 Holdings Limited and Tianjin Capital Environmental Protection Company Limited, both of them are two 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 8th Standing Committee of the Overseas Chinese Association in the PRC.

**Mr. Jiang Ming**, aged 44, 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 18 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 44, 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 14 years' experience in investment and management. He graduated from Beijing Communication Engineering College (北京信息工程學院). Before joining the Group in 1991, he had served as an operations officer in a software development company in the PRC.

**Mr. Cheng Wing Bor**, aged 42, is the financial controller of the Group. He is responsible for the financial and accounting management of the Group. He has over 16 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 58, 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.

### NON-EXECUTIVE DIRECTORS

**Mr. Lin Bao Sheng**, aged 60, 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 33 years of experience in the banking industry in the PRC. He is the deputy chief executive officer of a bank in Fujian, the PRC.

**Mr. Wei Xiang Di**, aged 46, is a non-executive director of the Company appointed in 1998. Mr. Wei graduated from 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 20 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 54, 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. Tang Lap Yan**, aged 57, 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.

**Mr. Law Kin Ho**, aged 34, is an independent non-executive director of the Company appointed in 2002. Mr. Law graduated from Hong Kong Baptist University with a Bachelor's degree majoring in accountancy. He is a fellow of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants, United Kingdom. Mr. Law is currently practising as a certified public accountant in Hong Kong.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

### **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.

### **SEGMENT INFORMATION**

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

### **RESULTS AND DIVIDENDS**

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 74.

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

### **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and assets, liabilities and minority interests 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.

### **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Group are set out in note 14 to the financial statements.

### **PROPERTIES UNDER DEVELOPMENT**

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

### **PROPERTIES HELD FOR DEVELOPMENT**

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

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of the Company's share capital and share options are set out in note 27 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 28 to the financial statements.

### DISTRIBUTABLE RESERVES

At 31 March 2002, 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\$1,048,282,000. In addition, the Company's share premium account, with a balance of HK\$310,980,000 as at 31 March 2002, 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 60% of the total purchases for the year and purchases from the largest supplier included therein amounted to 33%.

None of the directors of the Company 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 any 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

*(retired and resigned on 13 August 2001)*

### **DIRECTORS** *(Continued)*

Non-executive directors:

Zheng Hong Qing

Lin Chen Chun

*(resigned on 13 August 2001)*

Lin Bao Sheng

Wei Xiang Di

Independent non-executive directors:

Tang Lap Yan

Law Kin Ho

*(appointed on 29 July 2002)*

Wong Ying Ho, Kennedy

*(resigned on 29 July 2002)*

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

### **DIRECTORS' BIOGRAPHIES**

Biographical details of the directors of the Company are set out on pages 17 to 18 of the annual report.

### **DIRECTORS' SERVICE CONTRACTS**

The three-year service contracts with each executive director expired on 29 September 2000 and were renewed for a further term of three years expiring on 29 September 2003. All of the non-executive directors continue 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 of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 34 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 2002, 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 (the "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 interest	
		Personal	Corporate
Chan Boon Teong	(a) and (b)	–	543,680,000
Jiang Ming	(a) and (b)	–	543,680,000
Tao Lin	(a) and (b)	–	543,680,000
Cheng Wing Bor	(a) and (b)	–	543,680,000
Lin Chen Hsin	(a) and (b)	480,000	543,680,000

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

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

Notes:

- (a) 497,600,000 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, 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) and 7.5% by Roseford Resources Limited (the entire issued voting share capital of which is held by CIH). These 497,600,000 shares represent an aggregate of 48.59% of the issued share capital of the Company.
- (b) 46,080,000 shares are beneficially owned by Glory View Investments Limited, the entire issued share capital of which is held by CIH. The entire issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 shares represent an aggregate of 4.5% of the issued share capital of the Company.
- (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).

### **DIRECTORS' INTERESTS IN SHARES** *(Continued)*

Save as disclosed above, at 31 March 2002, 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 the 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 as disclosed under the heading "Share option scheme" below.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Share option scheme" below, 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.

### **SHARE OPTION SCHEME**

On 20 September 1997, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors of the Company (other than the non-executive directors of the Company) or any of its subsidiaries and other employees of the Group. The Scheme became effective upon the listing of the Company's shares on 16 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme (together with the Company's shares issued and issuable under the 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, should not exceed 10% of the share capital of the Company in issue from time to time (excluding, for this purpose, shares issued pursuant to the Scheme).

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

The exercise price of the share options pursuant to the Scheme is determinable by the directors, but should not be less than the higher of 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option, and the nominal value per share.

## SHARE OPTION SCHEME (Continued)

The offer of a grant of share options under the Scheme must be accepted within 21 days after the date of the offer with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. If the Company wishes to continue to grant share options under the Scheme, it must comply with the new requirements of Chapter 17 of the Listing Rules.

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options					At 31 March 2002	Date of grant of share options <sup>(2)</sup>	Exercise period of share options <sup>(4)</sup>	Exercise price of share options <sup>(1), (3)</sup>
	At 1 April 2001	Granted during the year	Exercised during the year	Adjust-ment during the year <sup>(1)</sup>	Lapsed during the year				
<b>Directors</b>									
Chan Boon Teong	4,000,000	-	-	2,400,000	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	4,000,000	-	-	2,400,000	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	4,000,000	-	-	2,400,000	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	4,000,000	-	-	2,400,000	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,000,000	-	-	600,000	-	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Shea Lam Sui <sup>(5)</sup>	1,000,000	-	-	600,000	(1,600,000)	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
<b>Other employees</b>									
In aggregate	36,600,000	-	-	21,960,000	(23,040,000)	35,520,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	<u>54,600,000</u>	<u>-</u>	<u>-</u>	<u>32,760,000</u>	<u>(24,640,000)</u>	<u>62,720,000</u>			

HK\$



## SHARE OPTION SCHEME *(Continued)*

Notes:

- (1) Adjusted for the rights issue of shares in the Company during the year.
- (2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (4) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.
- (5) Retired and resigned on 13 August 2001.

## SUBSTANTIAL SHAREHOLDERS

Apart from the interests of CIH, as disclosed under the heading "Directors' interests in shares" above, at 31 March 2002, no person had registered an interest amounting to 10% or more in the issued share capital of the Company in the register that was required to be kept by the Company under Section 16(1) of the SDI Ordinance.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the Annual Report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice 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  
30 July 2002



To the members

**Coastal Realty Group Limited**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 27 to 74 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 2002 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  
30 July 2002

# Consolidated Profit and Loss Account

Year ended 31 March 2002

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

# Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2002

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

# Consolidated Balance Sheet

31 March 2002

	Notes	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	14	<b>409,176</b>	462,751
Properties under development	15	<b>106,995</b>	62,215
Properties held for development	16	<b>1,261,918</b>	1,618,778
Interests in jointly-controlled entities	17	<b>(4,116)</b>	38
Long term investment	18	<b>560</b>	560
Pledged deposits	19	<b>49,659</b>	22,272
		<b>1,824,192</b>	2,166,614
<b>CURRENT ASSETS</b>			
Properties under development for sale	15	<b>423,481</b>	282,891
Completed properties for sale	20	<b>163,850</b>	267,773
Trade receivables	21	<b>43,364</b>	147,996
Prepayments, deposits and other receivables		<b>49,146</b>	34,576
Cash and bank balances		<b>76,394</b>	52,879
		<b>756,235</b>	786,115
<b>CURRENT LIABILITIES</b>			
Due to the ultimate holding company	22	<b>96,587</b>	131,771
Trade payables	23	<b>107,247</b>	92,281
Tax payable		<b>7,628</b>	2,364
Deposits received		<b>22,449</b>	4,317
Other payables and accruals		<b>140,461</b>	108,180
Interest-bearing bank and other borrowings	24	<b>360,385</b>	327,215
		<b>734,757</b>	666,128
<b>NET CURRENT ASSETS</b>		<b>21,478</b>	119,987
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,845,670</b>	2,286,601
<b>NON-CURRENT LIABILITIES</b>			
Due to the ultimate holding company	22	<b>20,000</b>	–
Interest-bearing bank and other borrowings	24	<b>189,120</b>	143,443
Long term payables	25	<b>151,847</b>	227,140
Deferred tax	26	<b>1,989</b>	1,989
		<b>362,956</b>	372,572
<b>MINORITY INTERESTS</b>		<b>7,578</b>	4,181
		<b>1,475,136</b>	1,909,848
<b>CAPITAL AND RESERVES</b>			
Issued capital	27	<b>102,400</b>	64,000
Reserves	28	<b>1,372,736</b>	1,845,848
		<b>1,475,136</b>	1,909,848

**Chan Boon Teong**  
Director

**Jiang Ming**  
Director

# Consolidated Cash Flow Statement

Year ended 31 March 2002

	Notes	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	30(a)	<b>(20,598)</b>	27,421
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		<b>157</b>	164
Interest paid		<b>(31,814)</b>	(39,186)
Net cash outflow from returns on investments and servicing of finance		<b>(31,657)</b>	(39,022)
TAX			
Overseas taxes (paid)/refunded		<b>(81)</b>	186
INVESTING ACTIVITIES			
Acquisition of a subsidiary	30(c)	<b>(34,126)</b>	–
Acquisition of additional interests in subsidiaries		–	(557)
Purchases of fixed assets		<b>(12,216)</b>	(3,328)
Proceeds from disposal of fixed assets		<b>60,026</b>	–
Increase/(decrease) in balances with jointly-controlled entities		<b>1,792</b>	(2,139)
Increase in pledged deposits		<b>(27,387)</b>	(10,736)
Net cash outflow from investing activities		<b>(11,911)</b>	(16,760)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		<b>(64,247)</b>	(28,175)
FINANCING ACTIVITIES	30(b)		
Proceeds from issue of share capital		<b>59,880</b>	–
New bank borrowings and other loans		<b>225,668</b>	137,956
Repayment of bank borrowings and other loans		<b>(182,418)</b>	(215,052)
Increase/(decrease) in an amount due to the ultimate holding company		<b>(15,184)</b>	79,405
Net cash inflow from financing activities		<b>87,946</b>	2,309
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>23,699</b>	(25,866)
Cash and cash equivalents at beginning of year		<b>43,554</b>	69,420
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>67,253</b>	43,554
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<b>76,394</b>	52,879
Bank overdrafts		<b>(9,141)</b>	(9,325)
		<b>67,253</b>	43,554

## Balance Sheet

31 March 2002

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

**Chan Boon Teong**  
Director

**Jiang Ming**  
Director

## 1. CORPORATE INFORMATION

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

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

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

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

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

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

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

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



## 2. **IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")** *(Continued)*

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

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

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

## 3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

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

### **Basis of consolidation**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Subsidiaries**

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

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

#### **Joint venture companies**

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

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

A joint venture company is treated as:

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

#### **Jointly-controlled entities**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Jointly-controlled entities** *(Continued)*

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 impairment losses.

#### **Negative goodwill**

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

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

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Impairment of assets**

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

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

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

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

#### **Fixed assets and depreciation**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Fixed assets and depreciation** *(Continued)*

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

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

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

**Investment properties**

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

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

**Properties under development and properties under development for sale**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Properties under development and properties under development for sale** *(Continued)*

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

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

#### **Properties held for development**

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

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

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

#### **Completed properties for sale**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Leased assets**

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

#### **Long term investment**

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

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

#### **Deferred tax**

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

#### **Foreign currencies**

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Borrowing costs**

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

#### **Revenue recognition**

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

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

#### **Retirement benefits scheme**

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



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Retirement benefits scheme** *(Continued)*

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

#### **Related parties**

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

#### **Cash equivalents**

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

#### **Dividends**

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

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

## 4. SEGMENT INFORMATION

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

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

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

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

**4. SEGMENT INFORMATION** (Continued)**(a) Business segments**

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

	Property development		Property investment		Property management		Corporate and Other		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<b>179,574</b>	316,574	<b>21,110</b>	37,718	<b>1,312</b>	1,270	-	-	<b>201,996</b>	355,562
Segment results	<b>(448,302)</b>	(64,335)	<b>1,780</b>	17,197	<b>548</b>	481	<b>(28,042)</b>	(19,117)	<b>(474,016)</b>	(65,774)
Interest income									<b>157</b>	164
Loss from operating activities									<b>(473,859)</b>	(65,610)
Finance costs									<b>(17,900)</b>	(27,094)
Share of profits and losses of jointly-controlled entities	<b>(22)</b>	2	-	-	<b>(2,340)</b>	(35)	-	-	<b>(2,362)</b>	(33)
Loss before tax									<b>(494,121)</b>	(92,737)
Tax									<b>(5,345)</b>	1,471
Loss before minority interests									<b>(499,466)</b>	(91,266)
Minority interests									<b>(41)</b>	(2,062)
Net loss from ordinary activities attributable to shareholders									<b>(499,507)</b>	(93,328)

**4. SEGMENT INFORMATION** (Continued)**(a) Business segments** (Continued)

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

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

**4. SEGMENT INFORMATION** (Continued)**(b) Geographical segments**

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

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

\* disclosed pursuant to the requirements of the Listing Rules.

**5. TURNOVER**

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

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

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

**6. LOSS FROM OPERATING ACTIVITIES**

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

	<b>2002</b>	<b>Group</b>
	<b>HK\$'000</b>	2001 HK\$'000
Cost of properties for sale sold	<b>175,770</b>	297,938
Depreciation	<b>3,973</b>	4,758
Less: Amounts capitalised in properties under development	<b>(439)</b>	(731)
	<b>3,534</b>	4,027
Minimum lease payments under operating leases for land and buildings	<b>1,344</b>	262
Less: Amounts capitalised in properties under development	<b>(71)</b>	(104)
	<b>1,273</b>	158

**6. LOSS FROM OPERATING ACTIVITIES** *(Continued)*

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

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

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

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

**7. FINANCE COSTS**

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

**8. DIRECTORS' REMUNERATION**

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

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

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



**8. DIRECTORS' REMUNERATION** *(Continued)*

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

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

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

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

**9. FIVE HIGHEST PAID INDIVIDUALS**

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

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

**10. TAX**

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

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

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions.

**11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

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

**12. LOSS PER SHARE**

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

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

**13. INTERESTS IN SUBSIDIARIES**

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

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

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

**14. FIXED ASSETS**

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

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

**14. FIXED ASSETS** *(Continued)*

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

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

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

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

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

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

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

Further particulars of the Group's investment properties are set out on pages 75 and 76.

**15. PROPERTIES UNDER DEVELOPMENT**

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

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

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

Further particulars of the Group's properties under development are set out on page 77.

**16. PROPERTIES HELD FOR DEVELOPMENT**

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

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

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

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

Further particulars of the Group's properties held for development are set out on page 78.

**17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES**

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

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

Particulars of the jointly-controlled entities are as follows:

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

\* Audited by public accountants other than Ernst & Young.

**18. LONG TERM INVESTMENT**

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

**19. PLEDGED DEPOSITS**

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



**20. COMPLETED PROPERTIES FOR SALE**

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

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

Further particulars of the Group's completed properties for sale are set out on pages 75 to 76.

**21. TRADE RECEIVABLES**

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

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

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

**22. DUE TO THE ULTIMATE HOLDING COMPANY**

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

**23. TRADE PAYABLES**

An aged analysis of the trade payables is as follows:

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

**24. INTEREST-BEARING BANK AND OTHER BORROWINGS**

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

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

**25. LONG TERM PAYABLES**

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

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

**25. LONG TERM PAYABLES** *(Continued)*

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

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

**26. DEFERRED TAX**

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

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

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

**27. SHARE CAPITAL**

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

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

**Share options**

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

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

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

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

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

## 28. RESERVES

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

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

**28. RESERVES** (Continued)

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

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

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

**29. NEGATIVE GOODWILL**

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

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

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



**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

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

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (Continued)

(b) Analysis of changes in financing during the year

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

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (Continued)

(c) Acquisition of a subsidiary

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

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

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

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

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

**31. CONTINGENT LIABILITIES**

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

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

**32. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

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

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

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

**32. OPERATING LEASE ARRANGEMENTS** (Continued)**(b) As lessee**

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

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

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

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

**33. COMMITMENTS**

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

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

**34. RELATED PARTY TRANSACTIONS**

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

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

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

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

**35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES**

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

<u>Name</u>	<u>Place of incorporation/ registration and operations</u>	<u>Nominal value of issued share capital/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
<b>Directly held subsidiary:</b>				
Coastal Realty (BVI) Limited	British Virgin Islands/Hong Kong	US\$200 Ordinary	100%	Investment holding
<b>Indirectly held subsidiaries:</b>				
Beijing Xing Gang Real Estate Company Limited	PRC	RMB112,050,000	95%	Property development
Coastal Greenland Development (An Shan) Ltd. ^	PRC	RMB50,000,000	96%	Property development

**35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES** *(Continued)*

<b><u>Name</u></b>	<b><u>Place of incorporation/ registration and operations</u></b>	<b><u>Nominal value of issued share capital/ registered capital</u></b>	<b><u>Percentage of equity attributable to the Group</u></b>	<b><u>Principal activities</u></b>
<b>Indirectly held subsidiaries:</b> <i>(Continued)</i>				
Coastal Greenland Development (Fujian) Ltd. #	PRC	US\$10,000,000	100%	Property development
Coastal Greenland Development (Shenzhen) Ltd. #	PRC	US\$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd. #	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd. #	PRC	RMB100,000,000	100%	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred <i>(Note ii)</i>	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd. #	PRC	US\$12,000,000	100%	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding
Comfort Property Management (Anshan) Ltd. #	PRC	RMB1,000,000	100%	Property management
Comfort Property Management (Shenzhen) Ltd. #	PRC	US\$121,000	100%	Property management
Comfort Property Management (Wuhan) Ltd. #	PRC	HK\$1,000,000	100%	Property management

**35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES** *(Continued)*

<u>Name</u>	<u>Place of incorporation/ registration and operations</u>	<u>Nominal value of issued share capital/ registered capital</u>	<u>Percentage of equity attributable to the Group</u>	<u>Principal activities</u>
<b>Indirectly held subsidiaries:</b> <i>(Continued)</i>				
Comfort Property Management (Xiamen) Ltd. #	PRC	RMB3,000,000	100%	Property management
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Fenhall Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Fenson Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom View Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd. ^	PRC	RMB10,000,000	100%	Property development



**35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES** *(Continued)*

<b><u>Name</u></b>	<b><u>Place of incorporation/ registration and operations</u></b>	<b><u>Nominal value of issued share capital/ registered capital</u></b>	<b><u>Percentage of equity attributable to the Group</u></b>	<b><u>Principal activities</u></b>
<b>Indirectly held subsidiaries:</b> <i>(Continued)</i>				
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB20,000,000	100%	Property development
Shanghai Ling Zhi Properties Co., Ltd. ^	PRC	US\$25,000,000	100%	Property development
Shanghai Xin Jia Management Co., Ltd.^ (formerly Shanghai Wu Tian Property Management Services Co., Ltd.)	PRC	RMB3,000,000	100%	Property management
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
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

## 35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000,000 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

^ contractual joint venture

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

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

## 36. COMPARATIVE AMOUNTS

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

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

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

## 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 2002 (sq.m.)	Interest in the development attributable to the Group	Completion date
<b>THE PRC</b>						
Anshan Greenland IT City Phase I & II	Wangyu Rd. & east of Shenyang Rd. District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	183,959	29,917	96%	June 2000 & December 2000
Fuzhou International Mansion	Unit 5C, Wusi Road Gulou District Fuzhou	office		307	100%	1990 (Note 1)
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 (Note 2)
Shanghai Golden Bridge Garden	103 Dong Zhu An Bin Road Changning District Shanghai	residential with attached commercial area	65,908	5,242	100%	November 1997
Shenzhen Dragon Court Phase I	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/retail	25,322	832	100%	March 2000
Wuhan Wah Zhong Trade Plaza	Liyen Alley Jiangnan District Wuhan	commercial	79,985	60,140	100%	December 1996
Xiamen Lu Jiang New City Phase II	Luling Road, Lianhua Road, Xiamen	residential	42,013	10,893	100%	August 2000
Xiamen Xiang Jiang Garden	Junction of Lianhua South Road and Jiahe Road Lianhua District Xiamen	residential/commercial	99,355	6,105	100%	December 1993

Note 1: Developed by other PRC independent developer.

Note 2: The joint venture company for the project has entered into an agreement with an independent third party during the year for the disposal of all its property interests in this project to the independent third party. As at the end of the year, the agreement has still not yet been completed. It is anticipated that no significant profit or loss will arise from the disposal for the Group.

## 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 2002 (sq.m.)	Interest in the development attributable to the Group	Completion date
<b>HONG KONG</b>						
City One Shatin	Flat C , 4th Floor, Block 8 5 Tak Kei Street Hong Kong	residential		30	100%	1981 (Note 1, 2 & 3)
Vienna Mansion	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	residential		109	100%	1958 (Note 1, 2 & 3)

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

Note 2: These residential properties are occupied by the Group as staff quarters.

Note 3: The Group's properties in Hong Kong were developed by other independent developer.

## 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 2002 (sq.m.)	Interest in the development attributable to the Group	Completion date
Shanghai 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 & IV	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	80,487	96%	2002
Beijing Ritz Garden Villa	Panggezhuang Town Daxing County Beijing	residential	410,000	95%	2004
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	59,939	100%	2002
Shenzhen Dragon Court Phase II	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/commercial/office	29,260	100%	2003
Xiamen Lu Jiang New City, Phases III & IV	Luling Road, Lianhua Road, Xiamen	residential with attached commercial area	75,101	100%	2002
Wuhan Ritz Garden Phase I	West Airport Road and north of Jinyin Lake Dongxihu District Wuhan	residential with attached commercial area	108,334	100%	2003

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 joint venture company for this project has entered into an agreement with an independent third party during the year for the disposal of all its property interests in this project to the independent third party. As at the end of the year, the agreement has still not yet been completed. It is anticipated that no significant profit or loss will arise from the disposal for the Group.

### LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

Property description	Location	Type of expected development	Interest in the		development attributable to the Group
			Site area of the whole development (sq.m.)	Estimated GFA of the development (sq.m.)	
Anshan Greenland IT City, excluding Phase I, II, III and IV north of Wuangyu 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	105,107	179,521	96%
Qingdao 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% (Note 1)
Shanghai Ritz Villa (excluding Phase I) Lot 53, Xinqiao, Songjiang District	Shanghai	residential	181,989	134,504	100%
Wuhan Ritz Garden Phase II West Airport Road and north of Jinyin Lake Dongxihu District	Wuhan	residential with attached commercial area	216,667	191,666	100%
Wuhan Ritz Garden (excluding Phase I & II) West of Zhangbo Freeway and north of Jinshan Avenue Dongxihu District Wuhan	Wuhan	residential with attached commercial area	1,000,000	2,200,000	100%

*Note 1:* The joint venture company for the project has entered into an agreement with an independent third party during the year for the disposal of all its property interests in this project to the independent third party. As at the end of the year, the agreement has still not yet been completed. It is anticipated that no significant profit or loss will arise from the disposal for the Group.