



COASTAL REALTY GROUP LIMITED

**沿海物業集團有限公司**

(incorporated in Bermuda with limited liability)

Interim Report 2000

The Board of Directors of Coastal Realty Group Limited (the "Company") herein present the unaudited results, statement of recognised gains and losses and cash flow statement of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2000 together with the comparative figures of unaudited results and statement of gains and losses for the last corresponding period and the unaudited balance sheet of the Group as at 30th September, 2000 together with the audited comparative figures as at 31st March, 2000. The interim report for the six months ended 30th September, 2000 has been reviewed by the Company's Audit Committee on 22nd December, 2000.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Six months ended 30th September, 2000 HK\$'000	(Unaudited) Six months ended 30th September, 1999 HK\$'000
	<i>Notes</i>		
<b>Turnover</b>	2	<b>212,784</b>	109,716
Cost of sales		<u>(160,453)</u>	<u>(91,623)</u>
Gross profit		<b>52,331</b>	18,093
Other revenue		<b>1,935</b>	3,595
Marketing and selling expenses		<b>(3,980)</b>	(2,264)
Administrative expenses		<b>(12,464)</b>	(12,199)
Other operating expenses		<u>(14,530)</u>	<u>(1,489)</u>
<b>Profit/(loss) from operating activities</b>	2	<b>23,292</b>	5,736
Finance costs		<b>(14,357)</b>	(18,979)
Share of results of jointly-controlled entities		<u>(29)</u>	<u>(153)</u>
<b>Profit/(loss) before tax</b>	3	<b>8,906</b>	(13,396)
Tax	4	<u>(545)</u>	<u>(1,155)</u>
Profit/(loss) before minority interests		<b>8,361</b>	(14,551)
Minority interests		<u>(1,684)</u>	<u>(657)</u>
<b>Net profit/(loss) from ordinary activities attributable to shareholders</b>		<u><b>6,677</b></u>	<u>(15,208)</u>
Earnings/(loss) per share			
– Basic	5	<u><b>HK1.04 cents</b></u>	<u>(HK2.38 cents)</u>
– Diluted	5	<u><b>HK1.03 cents</b></u>	<u>Not applicable</u>

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	(Unaudited) Six months ended 30th September, 2000 <i>HK\$'000</i>	(Unaudited) Six months ended 30th September, 1999 <i>HK\$'000</i>
Revaluation reserve eliminated upon reclassification to properties under development	–	(230)
Exchange differences arose on consolidation of overseas subsidiaries' financial statements	<u>(10)</u>	<u>–</u>
Net losses not recognised in the profit and loss account	(10)	(230)
Net profit/(loss) from ordinary activities attributable to shareholders	<u>6,677</u>	<u>(15,208)</u>
Total recognised gains and losses	<u><u>6,667</u></u>	<u><u>(15,438)</u></u>

## CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September, 2000	(Audited) 31st March, 2000
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		55,746	55,585
Investment properties		422,680	422,680
Properties under development		97,587	210,216
Properties held for development		1,843,110	1,842,458
Interests in jointly-controlled entities		(2,096)	(2,068)
Long term investment		560	560
Pledged deposits		13,436	11,536
		<b>2,431,023</b>	<b>2,540,967</b>
<b>CURRENT ASSETS</b>			
Properties under development for sale		190,188	108,966
Completed properties for sale		371,013	354,001
Accounts receivable	6	159,599	147,010
Prepayments, deposits and other receivables		66,955	60,768
Cash and bank balances		111,504	77,648
		<b>899,259</b>	<b>748,393</b>
<b>CURRENT LIABILITIES</b>			
Due to ultimate holding company		90,263	52,366
Accounts payable	7	47,301	52,475
Tax payable		3,446	3,649
Deposits received		9,881	5,611
Other payables and accruals		99,005	96,997
Interest-bearing bank and other borrowings		494,408	464,234
Bank overdrafts		1,569	8,228
		<b>745,873</b>	<b>683,560</b>
<b>NET CURRENT ASSETS</b>		<b>153,386</b>	<b>64,833</b>
		<b>2,584,409</b>	<b>2,605,800</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	8	64,000	64,000
Reserves	9	2,282,954	2,276,287
		<b>2,346,954</b>	<b>2,340,287</b>
<b>MINORITY INTERESTS</b>		<b>12,691</b>	<b>11,007</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing and other borrowings due after one year		43,693	74,195
Long term payables		179,082	178,322
Deferred Tax		1,989	1,989
		<b>224,764</b>	<b>254,506</b>
		<b>2,584,409</b>	<b>2,605,800</b>

## CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30th September, 2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	70,722
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	89
Interest paid	(25,615)
	<hr/>
Net cash outflow from returns on investments and servicing of finance	(25,526)
	<hr/>
TAXATION	
Overseas taxes paid	(1,833)
INVESTING ACTIVITIES	
Purchases of fixed assets	(1,379)
Increase in pledged deposits	(1,901)
	<hr/>
Net cash outflow from investing activities	(3,280)
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NET CASH INFLOW BEFORE FINANCING ACTIVITIES	40,083
FINANCING ACTIVITIES	
New bank borrowings and other loans	16,646
Repayment of bank borrowings and other loans	(16,974)
Increase in long term payables	760
	<hr/>
Net cash inflow from financing activities	432
	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	40,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	
Cash and bank balances	77,648
Bank overdrafts	(8,228)
	<hr/>
	69,420
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	109,935
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	111,504
Bank overdrafts	(1,569)
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	109,935
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# NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

## 1. Significant Accounting Policies

### *Basis of preparation*

The unaudited interim condensed financial statements of the Group are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” except that the comparative figures of the consolidated cash flow statement have not been prepared as the Company has adopted the transitional provisions set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted are the same as those used in the financial statements for the year ended 31st March, 2000.

### *Comparative figures*

As compared to the last corresponding period, the presentation of the financial statements has been changed due to the adoption of the requirements of SSAP 1 (revised) “Presentation of financial statements”. Comparative figures have been reclassified to conform with the current period’s presentation.

## 2. Segmental Information

The Group’s turnover and contribution to profit from operating activities analysed by principal activity are as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30th September,		Six months ended 30th September,	
	2000	1999	2000	1999
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
By principal activity:				
– Sale of properties	192,508	89,348	18,575	(696)
– Rental income	19,716	19,875	4,387	6,429
– Property management	560	493	330	3
	<u>212,784</u>	<u>109,716</u>	<u>23,292</u>	<u>5,736</u>

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

### 3. Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging:

	Six months ended 30th September, 2000 HK\$'000	Six months ended 30th September, 1999 HK\$'000
Depreciation	1,218	1,161
Less: Amounts capitalised in properties under development	<u>(297)</u>	<u>(209)</u>
	<u>921</u>	<u>952</u>
Provision for diminutions in values of completed properties for sale	14,000	–
Interest on bank loans, overdrafts and other loans wholly payable within five years	25,615	27,618
Less: Amounts capitalised in properties under development	<u>(11,258)</u>	<u>(8,639)</u>
	<u>14,357</u>	<u>18,979</u>

### 4. Tax

	Six months ended 30th September, 2000 HK\$'000	Six months ended 30th September, 1999 HK\$'000
Company and subsidiary companies: PRC income tax	<u>545</u>	<u>1,155</u>

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

PRC income tax represents tax charges on assessable profits of subsidiary companies operating in the People's Republic of China ("PRC") calculated at the rates of taxation prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

### 5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$6,677,000 (1999: net loss of HK\$15,208,000) and the weighted average number of 640,000,000 (1999: 640,000,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$6,677,000 and the weighted average number of 640,000,000 shares in issue during the period plus the weighted average number of 6,706,713 dilutive shares deemed to be issued assuming all outstanding share options under the executive director and employee share option scheme of the Company had been exercised.

No diluted loss per share is presented for the last corresponding period as no diluting event existed during the last corresponding period.

## 6. Accounts receivable

The Group's credit policy is set on a project-by-project basis taking into account of the then prevailing market situations for each development. An ageing analysis of the accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	<b>30th September, 2000</b>	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>130,261</b>	125,041
31-60 days	<b>9,577</b>	8,642
61-90 days	<b>7,955</b>	7,523
Over 90 days	<b>11,806</b>	5,804
	<u><b>159,599</b></u>	<u>147,010</u>

## 7. Accounts payable

An ageing analysis of the accounts payable is as follows:

	<b>30th September, 2000</b>	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>11,376</b>	26,283
31-60 days	<b>4,876</b>	3,098
61-90 days	<b>10,020</b>	2,065
Over 90 days	<b>21,029</b>	21,029
	<u><b>47,301</b></u>	<u>52,475</u>

## 8. Share capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 9. Condensed statement of movement in reserves

The following is a summary of the movements in the reserves of the Group during the period:

	<i>HK\$'000</i>
Balance at 1st April, 2000	<b>2,276,287</b>
Exchange difference arose on consolidation of overseas subsidiaries' financial statements	<b>(10)</b>
Net profit for the period	<u><b>6,677</b></u>
Balance at 30th September, 2000	<u><b>2,282,954</b></u>

## 10. Contingent liabilities

At 30th September, 2000, guarantees to the extent of approximately HK\$60,482,000 (31st March, 2000: HK\$60,482,000) were given by the Group to banks in respect



of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

## 11. Commitments

- (a) Capital commitments:

	<b>30th September, 2000</b>	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development expenditure:		
Contracted for	<b>32,366</b>	57,660
Authorized, but not contracted for	<b>250,890</b>	400,455
	<u><b>283,256</b></u>	<u>458,115</u>

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

	<b>30th September, 2000</b>	31st March, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>38</b>	38
In the second to fifth years, inclusive	<b>118</b>	156
	<u><b>156</b></u>	<u>194</u>

- (c) Pursuant to a sale and purchase agreement, as supplemented, in respect of the sale by the Group of certain completed properties (the "Properties") to a third party (the "Purchaser"), the Group has guaranteed to pay the Purchaser a return of RMB20 million (HK\$18.5 million) by two equal instalments of RMB10 million payable on 31st December, 2000 and 31st December, 2001. The guarantee covers a period of three years commencing from 4th December, 1999, during which the Group is entitled to all of the revenue received from the leasing of the Properties.

## INTERIM DIVIDEND

The directors have decided not to declare any interim dividend for the six months ended 30th September, 2000.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group's principal source of fund comes from the cashflow generated from property sales and leaseings supplemented by bank borrowings. It is expected that the funding structure of the Group's operations will remain unchanged in the second half of the financial year. As at 30th September, 2000 the net borrowings of the Group, being bank overdrafts, bank and

other borrowings less cash and bank balances and bank deposits, amounted to about HK\$415 million and the net debt to equity ratio is about 18% which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$2,347 million.

## **REVIEW OF OPERATIONS**

The Group recorded a turnover of approximately HK\$213 million for the six months ended 30th September, 2000, representing an increase of about 94% over that of the last corresponding period. The significant increase in turnover is mainly attributable to the increase in the turnover for sales and pre-sales of properties which amounted to approximately HK\$193 million and accounted for about 91% of the Group's turnover. During the period the Group has successfully launched for pre-sale Phase II of Anshan Greenland IT City. The sales of Phase I of Anshan Greenland IT City, Phase II of Xiamen Lu Jiang New City and Shanghai Golden Bridge Garden have also made significant contribution to the turnover for the period.

For property leasing, the sluggish market situation has been continuously affecting the rental and occupancy rates of Wuhan Wah Zhong Trade Plaza and Shanghai Golden Bridge Mansion. As lesser rental income was derived from these two properties, there is a slightly drop in rental income for the period.

For property management, the Group has started to provide property management services for Phase I of Shenzhen Dragon Court and Phase I of Anshan Greenland IT City during the period. As a result, the property management income has increased by about 14% as compared to that of the last corresponding period.

The Group has been continuously concentrating its efforts in realising its properties with a view to reducing its debt level. In a bid to taking advantage of a sales tax exemption policy introduced by the Shanghai local government with an aim to stimulating the real estate market, the Group has lowered the selling price for its Golden Bridge Garden so as to seize as many sales as possible before the expiry of the exemption deadline of 31st December, 2000. In light of this specific pricing strategy, the Group has made a provision for diminution in values of properties of HK\$14 million during the period. On the whole, the Group recorded a net profit attributable to shareholders of approximately HK\$7 million for the period, a turn-around from the last corresponding period's net loss of approximately HK\$15 million.

## **PROSPECTS**

With the continuing improvement in the overall buying sentiment in the PRC domestic residential market, the Group is optimistic about its performance in the second half of the financial year. It is expected that the sales of Phase I and II of Anshan Greenland IT City and Shanghai Golden Bridge

Garden will continue to generate significant revenue for the Group. The constructions of Phase II of Shenzhen Dragon Court, Phase III of Xiamen Lujiang New City and Fuzhou Roman Garden are in progress and pre-sales of these developments will be launched in due course.

The Group has been continuously seeking for additions to its landbank and is currently in the process of negotiating to acquire certain land parcels in major cities of the PRC. The Group will continue its current business strategy of focusing on PRC domestic market and will steer the course of its developments to capture market opportunities.

## DIRECTORS' INTERESTS IN SHARES

At 30th September, 2000, the interests of the directors in the share capital of the Company or its associated companies, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### (i) Interests in the ordinary shares of the Company

Name of directors	Notes	Number of shares held and nature of interest	
		Personal interests	Corporate interests
Chan Boon Teong	(a) and (b)	–	364,800,000
Jiang Ming	(a) and (b)	–	364,800,000
Tao Lin	(a) and (b)	–	364,800,000
Shea Lam Sui	(a) and (b)	2,000	364,800,000
Cheng Wing Bor	(a) and (b)	–	364,800,000
Lin Chen Hsin	(a) and (b)	480,000	364,800,000
Lin Chen Chun		2,400,000	–

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

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

Notes:

- (a) 336,000,000 shares are beneficially owned by Coastal International Holdings Limited ("CIH") of which the entire issued voting share capital is held as to 24% by

Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 10% by Shea Lam Sui, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Limited (the entire issued voting share capital of which is held by Jiang Ming). These 336,000,000 shares represented an aggregate of 52.5% of the issued share capital of the Company.

- (b) 28,800,000 shares are beneficially owned by Glory View Investments Limited of which the entire issued share capital is held by CIH. The entire issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 28,800,000 shares represent an aggregate of 4.5% of the issued share capital of the Company.
- (c) 5,000,000 non-voting deferred shares are held by Chungwa 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 as stated in the foregoing note (a).

Save as disclosed above, at 30th September 2000, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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

Pursuant to the Company's share option scheme approved by shareholders at a special general meeting held on 20th September 1997, the directors may, at their discretion, grant options to any director (other than non-executive directors of the Company appointed from time to time) or employee of the Group to take up share options to subscribe for shares in the Company. On 20th May 2000, options were granted to the following executive directors under this scheme:

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

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

Apart from the foregoing, at no time during the period 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 arrangements to enable the directors to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

Apart from the interests of Coastal International Holdings Limited as disclosed in the “Directors’ interests in share capital” section, no person had registered an interest amounting to 10% or more in the issued share capital of the Company at 30th September, 2000 in the register kept by the Company under Section 16(1) of the SDI Ordinance.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report except that the non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s bye-law.

## **PRUCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim condensed financial statements which have not been audited.

By Order of the Board  
**Chan Boon Teong**  
*Chairman*

Hong Kong, 22nd December, 2000