

Chairman's Statement



Mr. CHAN Boon Teong
Chairman

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

RESULTS

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

DIVIDENDS

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

BUSINESS REVIEW

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

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

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

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OUTLOOK

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

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

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

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

APPRECIATION

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

Chan Boon Teong
Chairman

Hong Kong
25 July 2001