

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity is as follows:

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

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

RESULTS AND DIVIDENDS

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

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and reclassified as appropriate is set out on page 4 of the Annual Report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 12 to the financial statements.

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PROPERTIES UNDER DEVELOPMENT

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

PROPERTIES HELD FOR DEVELOPMENT

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

SUBSIDIARIES

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

JOINTLY-CONTROLLED ENTITIES

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

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

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

INTEREST CAPITALISED

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

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

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

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DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,556,275,000. In addition, the share premium account, with a balance of HK\$289,500,000 as at 31 March 2001, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 46% of the total purchases for the year and purchases from the largest supplier included therein amounted to 24%.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

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

Non-executive directors:

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

Independent non-executive directors:

Wong Ying Ho, Kennedy
Tang Lap Yan

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

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DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 15 to 16 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of directors and the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

The service contracts with all the executive directors for a term of three years expired on 29 September 2000 and had been renewed for another term of three years expiring on 29 September 2003. All of the non-executive directors continued to be appointed as non-executive directors without entering into any formal service contracts for specific terms and are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the bye-laws of the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

(i) Interests in the ordinary shares of the Company

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

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DIRECTORS' INTERESTS IN SHARES *(Continued)*

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

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

Notes:

- (a) 336,000,000 shares are beneficially owned by Coastal International Holdings Limited ("CIH"), of which the entire issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 10% by Shea Lam Sui, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Limited (the entire issued voting share capital of which is held by Jiang Ming). These 336,000,000 shares represent an aggregate of 52.5% of the issued share capital of the Company.
- (b) 28,800,000 shares are beneficially owned by Glory View Investments Limited, the entire issued share capital of which is held by CIH. The entire issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 28,800,000 shares represent an aggregate of 4.5% of the issued share capital of the Company.
- (c) 5,000,000 non-voting deferred shares are held by Chunghwa Electronics Co. Ltd., which is 97% owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The entire issued voting share capital of CIH is held in the manner stated in the foregoing note (a).

Save as disclosed above, at 31 March 2001, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance. In addition, no options under the Company's share option scheme approved at a special general meeting of the Company held on 20 September 1997 were granted to, exercised by or held by any director during the year, apart from those disclosed in note 25 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, as further detailed in note 25 to the financial statements, and which was approved by shareholders at a special general meeting held on 20 September 1997, the directors may, at their discretion, grant options to any director (other than the non-executive directors of the Company appointed from time to time) or employee of the Group to take up share options to subscribe for shares in the Company. On 20 May 2000, options were granted to certain executive directors and employees, the further details of which are set out in note 25 to the financial statements.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

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

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of CIH, as disclosed in the section headed "Directors' interests in shares" above, no person had registered an interest amounting to 10% or more in the issued share capital of the Company at 31 March 2001 in the register that was required to be kept by the Company under Section 16(1) of the SDI Ordinance.

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

CODE OF BEST PRACTICE

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

AUDITORS

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

ON BEHALF OF THE BOARD

Chan Boon Teong
Chairman

Hong Kong
25 July 2001