

Notes to Financial Statements 31 March 2001

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

The Group's investments in co-operative joint ventures, in which the Group is in a position to unilaterally control the management of the joint ventures and is entitled to share more than 50% of the results of the joint ventures, are accounted for in the same manner as subsidiaries.

Notes to Financial Statements 31 March 2001

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

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Capital reserve

The capital reserve arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration, and is credited to capital reserve in the year of acquisition.

Fixed assets and depreciation

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

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

Notes to Financial Statements 31 March 2001

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

Fixed assets and depreciation *(Continued)*

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

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

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

Investment properties

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

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

Properties under development

Properties under development, for which pre-sales have not yet commenced, are stated at cost less provisions for permanent diminutions in values, if any, deemed necessary by the directors. Cost includes all costs attributable to such developments, including financial charges.

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

Notes to Financial Statements 31 March 2001

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

Properties under development *(Continued)*

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

Properties held for development

Properties held for development are stated at cost, or at carrying value less provisions for permanent diminutions in values, if any, deemed necessary by the directors. Carrying value represents the valuation made by independent professional qualified valuers, C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited) as at 31 March 1995 on an open market basis.

Completed properties for sale

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases relating to the development of properties are capitalised during the development period. All other rentals are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

A long term investment which is intended to be held on a continuing basis is stated at cost less any provision for diminution in value, other than that considered to be temporary in nature, deemed necessary by the directors on an individual investment basis. Provisions are recognised immediately in the profit and loss account.

Deferred tax

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

Notes to Financial Statements 31 March 2001

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

Foreign currencies

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

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

Capitalisation of borrowing costs

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

Revenue recognition

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

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

Notes to Financial Statements 31 March 2001

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

Retirement benefits scheme

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

Related parties

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

Cash equivalents

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

3. TURNOVER

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

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

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

Notes to Financial Statements 31 March 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

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

Notes to Financial Statements 31 March 2001

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

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

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

- (b) Included in other operating expenses:

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

Notes to Financial Statements 31 March 2001

5. FINANCE COSTS

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

6. DIRECTORS' REMUNERATION

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

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

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

Notes to Financial Statements 31 March 2001

6. DIRECTORS' REMUNERATION *(Continued)*

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year, except that all of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$60,000 (2000: HK\$60,000) for the year.

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

7. FIVE HIGHEST PAID INDIVIDUALS

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

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

Notes to Financial Statements 31 March 2001

8. TAX

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

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

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

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK\$430,512,000 (2000: HK\$75,765,000).

10. EARNINGS/(LOSS) PER SHARE

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

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

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

Notes to Financial Statements 31 March 2001

11. INTERESTS IN SUBSIDIARIES

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

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

Further particulars of the subsidiaries are set out in note 32 to the financial statements.

Notes to Financial Statements 31 March 2001

12. FIXED ASSETS

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

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

Notes to Financial Statements 31 March 2001

12. FIXED ASSETS *(Continued)*

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

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

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

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

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

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

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

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

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

Notes to Financial Statements 31 March 2001

13. PROPERTIES UNDER DEVELOPMENT

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

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

Certain properties under development with carrying values of HK\$147,463,000 (2000: HK\$156,212,000) have been pledged to banks to secure banking facilities granted to the Group (note 22).

Further particulars of the Group's properties under development are set out on pages 66 to 67 of the Annual Report.

Notes to Financial Statements 31 March 2001

14. PROPERTIES HELD FOR DEVELOPMENT

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

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

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

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

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

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

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

Notes to Financial Statements 31 March 2001

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the jointly-controlled entities are as follows:

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

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

16. LONG TERM INVESTMENT

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

17. PLEDGED DEPOSITS

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

18. COMPLETED PROPERTIES FOR SALE

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

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

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

Notes to Financial Statements 31 March 2001

19. TRADE RECEIVABLES

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

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

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

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

20. DUE TO THE ULTIMATE HOLDING COMPANY

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

21. TRADE PAYABLES

The aged analysis of trade payables is as follows:

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

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

Notes to Financial Statements 31 March 2001

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

Notes to Financial Statements 31 March 2001

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

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

23. LONG TERM PAYABLES

The long term payables mainly represent amounts due in respect of the acquisition of land use rights in the PRC. In accordance with the terms of the land use grant agreements and the sale and purchase agreements, the purchase considerations will be payable upon the commencement of development of the relevant projects and according to the progress of the development. The balance will not be payable within one year because the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

Notes to Financial Statements 31 March 2001

24. DEFERRED TAX

The provision for deferred tax has been principally made for the exchange gain arising in a PRC subsidiary.

At the balance sheet date, the Group had an unprovided deferred tax liability of approximately HK\$444 million (2000: HK\$523 million) in respect of the surplus arising from the revaluation of certain investment properties and properties held for development, and an unrecognised deferred tax asset of approximately HK\$6 million (2000: HK\$4 million) in respect of tax losses arising in Hong Kong. The directors are of the opinion that such deferred tax liability will not crystallise in the foreseeable future.

25. SHARE CAPITAL

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

Options

On 20 September 1997, the Company adopted a share option scheme under which the directors may, at their discretion, invite any director (other than the non-executive directors of the Company appointed from time to time) or employee of the Group, to take up options to subscribe for the Company's shares. The subscription price is determined by the directors and is notified to each relevant employee. The subscription price determined should not be less than the greater of an amount equal to 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option, or the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the scheme (together with the Company's shares issued and issuable under the share option scheme), when aggregated with any of the Company's shares issuable upon exercise of all options then outstanding which have been granted under any other scheme involving the issue or grant of options over the Company's shares or other securities by the Company to or for the benefit of its directors and/or employees, may not exceed in nominal value 10% of the issued share capital of the Company from time to time (excluding for this purpose shares issued pursuant to the scheme).

Notes to Financial Statements 31 March 2001

25. SHARE CAPITAL *(Continued)*

Options

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the scheme. The scheme became effective upon the listing of the Company's shares on 16 October 1997.

On 20 May 2000, the Company granted 36,600,000 share options to the employees of the Group and 18,000,000 share options to the following executive directors:

| | Number of shares under options | Exercise price HK\$ |
|-----------------|-----------------------------------|------------------------|
| Chan Boon Teong | 4,000,000 | 0.32 |
| Jiang Ming | 4,000,000 | 0.32 |
| Tao Lin | 4,000,000 | 0.32 |
| Cheng Wing Bor | 4,000,000 | 0.32 |
| Lin Chen Hsin | 1,000,000 | 0.32 |
| Shea Lam Sui | 1,000,000 | 0.32 |

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

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

Notes to Financial Statements 31 March 2001

26. RESERVES

| Group | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Land and buildings revaluation reserve HK\$'000 | Investment properties revaluation reserve HK\$'000 | Properties held for development revaluation reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------------|-----------------------------|--|---|---|--|------------------------------|-------------------|
| At 1 April 1999 | 289,500 | 131,803 | 814 | 4,631 | 151,456 | 1,623,131 | (472) | 151,189 | 2,352,052 |
| Capital reserve on acquisition of a subsidiary | - | - | 707 | - | - | - | - | - | 707 |
| Deficit on revaluation | - | - | - | (658) | (49,000) | - | - | - | (49,658) |
| Revaluation reserve eliminated upon reclassification to properties under development | - | - | - | - | - | (41,576) | - | - | (41,576) |
| Revaluation reserve eliminated shared by minority shareholders upon reclassification to properties under development | - | - | - | - | - | 4,383 | - | - | 4,383 |
| Net profit for the year | - | - | - | - | - | - | - | 10,379 | 10,379 |
| At 31 March 2000 and beginning of year | 289,500 | 131,803 | 1,521 | 3,973 | 102,456 | 1,585,938 | (472) | 161,568 | 2,276,287 |
| Capital reserve on acquisition of additional interests in subsidiaries | - | - | 8,331 | - | - | - | - | - | 8,331 |
| Surplus/(deficit) on revaluation | - | - | - | 7,078 | (42,352) | - | - | - | (35,274) |
| Provisions for permanent diminutions in values of properties held for development (note 14) | - | - | - | - | - | (310,168) | - | - | (310,168) |
| Net loss for the year | - | - | - | - | - | - | - | (93,328) | (93,328) |
| At 31 March 2001 | 289,500 | 131,803 | 9,852 | 11,051 | 60,104 | 1,275,770 | (472) | 68,240 | 1,845,848 |
| Reserves retained by: | | | | | | | | | |
| Company and subsidiaries | 289,500 | 131,803 | 9,852 | 11,051 | 60,104 | 1,275,770 | (472) | 68,284 | 1,845,892 |
| Jointly-controlled entities | - | - | - | - | - | - | - | (44) | (44) |
| 31 March 2001 | 289,500 | 131,803 | 9,852 | 11,051 | 60,104 | 1,275,770 | (472) | 68,240 | 1,845,848 |
| Reserves retained by: | | | | | | | | | |
| Company and subsidiaries | 289,500 | 131,803 | 1,521 | 3,973 | 102,456 | 1,585,938 | (472) | 161,579 | 2,276,298 |
| Jointly-controlled entities | - | - | - | - | - | - | - | (11) | (11) |
| 31 March 2000 | 289,500 | 131,803 | 1,521 | 3,973 | 102,456 | 1,585,938 | (472) | 161,568 | 2,276,287 |

Notes to Financial Statements 31 March 2001

26. RESERVES (Continued)

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

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

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

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

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

Notes to Financial Statements 31 March 2001

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year:

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

Notes to Financial Statements 31 March 2001

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

(c) Acquisition of a subsidiary

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------------------|------------------|------------------|
| Net assets acquired: | | |
| Investment properties | - | 1,980 |
| Other payables and accruals | - | (1,136) |
| | - | 844 |
| Capital reserve on acquisition | - | (707) |
| | - | 137 |
| Satisfied by: | | |
| Cash | - | 137 |

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

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Cash consideration | - | (137) |
| Cash and bank balances acquired | - | - |
| Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary | - | (137) |

The subsidiary acquired in the prior year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for that year.

28. CONTINGENT LIABILITIES

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

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

Notes to Financial Statements 31 March 2001

29. COMMITMENTS

- (a) Capital commitments:

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

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

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

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

30. RELATED PARTY TRANSACTIONS

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

- (a) Coastal Realty Development Co. Limited, a subsidiary of the Group, licensed the use of a portion of Room 1402, 14th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong, which has a gross floor area of approximately 700 square feet, to CTS-Coastal Investment Limited at a monthly licence fee of HK\$55,000 up to 31 December 2000. During the year, the Group earned a sum of HK\$495,000 from this arrangement.

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

Notes to Financial Statements 31 March 2001

30. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

31. POST BALANCE SHEET EVENTS

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

32. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries are as follows:

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|------------------------------|---|---|--|----------------------|
| Directly held subsidiary: | | | | |
| Coastal Realty (BVI) Limited | British Virgin Islands/Hong Kong | US\$200 Ordinary | 100% | Investment holding |

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|--|---|---|--|----------------------|
| Indirectly held subsidiaries: | | | | |
| Alba Offshore Limited | British Virgin Islands/Hong Kong | US\$50,000 Ordinary | 100% | Investment holding |
| Brimmington Holdings Inc. | British Virgin Islands/Hong Kong | US\$50,000 Ordinary | 100% | Investment holding |
| CHT Realty Company Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Dormant |
| Coastal Comfort Property Management (Fuzhou) Ltd.# | PRC | RMB1,000,000 | 100% | Dormant |
| Coastal Decoration Company Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Dormant |
| Coastal Fujian Group Limited | Hong Kong | HK\$2 Ordinary | 100% | Dormant |
| Coastal Greenland Development (An Shan) Ltd.^ | PRC | RMB50,000,000 | 96% | Property development |
| Coastal Greenland Development (Fujian) Ltd.# | PRC | US\$10,000,000 | 100% | Property development |
| Coastal Greenland Development (Shenzhen) Ltd.# | PRC | US\$12,000,000 | 100% | Property development |
| Coastal Greenland Development (Wuhan) Ltd.# | PRC | RMB50,000,000 | 100% | Property development |

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|--|---|--|--|----------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| Coastal Greenland Development (Xiamen) Ltd.# | PRC | RMB100,000,000 | 100% | Property development |
| Coastal Realty Agency Company Limited | Hong Kong | HK\$500,000 Ordinary | 100% | Dormant |
| Coastal Realty Consultancy Limited | British Virgin Islands/ Hong Kong | US\$1 Ordinary | 100% | Dormant |
| Coastal Realty Development Co., Limited | Hong Kong | HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note iii) | 100% | Investment holding |
| Coastal Realty Development (Shanghai) Co., Ltd.# | PRC | US\$12,000,000 | 100% | Property investment |
| Coastal Real Estate (H.K.) Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Dormant |
| Coastal Realty Management Company Limited | Hong Kong | HK\$500,000 Ordinary | 100% | Investment holding |
| Comfort Property Management (Anshan) Ltd.# | PRC | RMB1,000,000 | 100% | Property management |
| Coastal Realty (China) Company Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Dormant |
| Comfort Property Management (Shenzhen) Ltd.# | PRC | US\$121,000 | 100% | Property management |

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|--|---|---|---|-------------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| Comfort Property Management (Wuhan) Ltd.# | PRC | HK\$1,000,000 | 100% | Property management |
| Comfort Property Management (Xiamen) Ltd.# | PRC | RMB3,000,000 | 100% | Property management |
| Direct Pole Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Property investment |
| Dragon Gain Investment Limited | Hong Kong | HK\$2 Ordinary | 100% | Dormant |
| Dragon Reach Investment Limited | Hong Kong | HK\$2 Ordinary | 100% | Dormant |
| Drummond Overseas Inc. | British Virgin Islands/Hong Kong | US\$50,000 Ordinary | 100% | Investment holding |
| Fenhall Development Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Property investment |
| Fenson Development Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Property investment |
| Frenwick Development Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Property investment |
| Gear Up Finance (BVI) Limited | British Virgin Islands/Hong Kong | US\$1 Ordinary | 100% | Investment holding |
| Gear Up Finance Limited | Hong Kong | HK\$2 Ordinary | 100% | Dormant |
| Greaton Development Limited | Hong Kong | HK\$2 Ordinary | 100% | Property investment |

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|--|---|---|---|-------------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| Kingdom Ace Development Limited | Hong Kong | HK\$2 Ordinary | 100% | Property investment |
| Kingdom View Development Limited | Hong Kong | HK\$2 Ordinary | 100% | Property investment |
| Kings Crown Holdings Ltd. | British Virgin Islands/Hong Kong | US\$50,000 Ordinary | 100% | Investment holding |
| Pacific Island Limited | British Virgin Islands/Hong Kong | US\$3 Ordinary | 100% | Investment holding |
| Pearl Square Enterprises Limited | Hong Kong | HK\$2 Ordinary | 100% | Investment holding |
| Princely Wealth Limited | British Virgin Islands/Hong Kong | US\$100 Ordinary | 100% | Investment holding |
| Shanghai Coastal Golden Bridge Real Estate Ltd.ˆ | PRC | RMB10,000,000 | 100% | Property development |
| Shanghai Coastal Greenland Real Estate Ltd.ˆ | PRC | RMB20,000,000 | 100% | Property development |
| Shanghai Ling Zhi Properties Co., Ltd.ˆ | PRC | US\$25,000,000 | 100% | Property development |
| Shanghai Wu Tian Property Management Services Co., Ltd.ˆ | PRC | RMB3,000,000 | 100% | Property management |
| Singhouse Investment Limited | British Virgin Islands/Hong Kong | US\$1 Ordinary | 100% | Investment holding |
| Star Plus Development Limited | British Virgin Islands/Hong Kong | US\$1 Ordinary | 100% | Investment holding |

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|--|---|---|---|-------------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| Strive More Industrial Limited | Hong Kong | HK\$102,500 Ordinary | 100% | Investment holding |
| Super Super Management Limited | British Virgin Islands/Hong Kong | US\$1 Ordinary | 100% | Investment holding |
| Tacklemate Investment Limited | Hong Kong | HK\$2 Ordinary | 100% | Property investment |
| Tinford Enterprises Limited | Hong Kong | HK\$2 Ordinary | 100% | Dormant |
| Trenco Properties Limited | Hong Kong | HK\$10,000 Ordinary | 100% | Investment holding |
| Wuhan Commercial Plaza Co., Ltd.# | PRC | US\$5,000,000 | 100% | Property development |
| Xiamen Linzi Construction Development Co., Ltd.# | PRC | US\$5,000,000 | 100% | Property development |
| Co-operative joint venture: | | | | |
| Xiang Jiang Garden Preparatory Office | PRC | RMB10,000,000 | 100% (Note ii) | Property development |

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital; for those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) This attributable interest represents the Group's profit sharing percentage in the Xiamen Xiang Jiang Garden development at 31 March 2001.

Notes to Financial Statements 31 March 2001

32. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

(iii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them respectively.

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

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