

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

RESULTS

For the financial year ended 31 March 2002, the Group has recorded a turnover of about HK\$202 million and a net loss attributable to shareholders of approximately HK\$499.51 million.

DIVIDENDS

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

BUSINESS REVIEW

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



Mr. CHAN Boon Teong

chairman

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

OUTLOOK

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

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

APPRECIATION

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

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

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

Chan Boon Teong

Chairman

Hong Kong
30 July 2002