

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

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.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 74.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests 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.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group are set out in note 15 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 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 27 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 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, 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\$1,048,282,000. In addition, the Company's share premium account, with a balance of HK\$310,980,000 as at 31 March 2002, 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 60% of the total purchases for the year and purchases from the largest supplier included therein amounted to 33%.

None of the directors of the Company 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 any 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

(retired and resigned on 13 August 2001)

DIRECTORS *(Continued)*

Non-executive directors:

Zheng Hong Qing

Lin Chen Chun

(resigned on 13 August 2001)

Lin Bao Sheng

Wei Xiang Di

Independent non-executive directors:

Tang Lap Yan

Law Kin Ho

(appointed on 29 July 2002)

Wong Ying Ho, Kennedy

(resigned on 29 July 2002)

In accordance with article 87(1) of the Company's bye-laws, Messrs. Jiang Ming, Lin Bao Sheng, Wei Xiang Di and Tang Lap Yan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 17 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The three-year service contracts with each executive director expired on 29 September 2000 and were renewed for a further term of three years expiring on 29 September 2003. All of the non-executive directors continue 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 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 2002, 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 (the "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 interest | |
|------------------|-------------|--|-------------|
| | | Personal | Corporate |
| Chan Boon Teong | (a) and (b) | – | 543,680,000 |
| Jiang Ming | (a) and (b) | – | 543,680,000 |
| Tao Lin | (a) and (b) | – | 543,680,000 |
| Cheng Wing Bor | (a) and (b) | – | 543,680,000 |
| Lin Chen Hsin | (a) and (b) | 480,000 | 543,680,000 |

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

| Name of director | Note | Number of shares held and nature of interest | |
|------------------|------|--|-----------|
| | | Personal | Corporate |
| Chan Boon Teong | (c) | 6,000,000 | 5,000,000 |
| Jiang Ming | (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) 497,600,000 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, 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) and 7.5% by Roseford Resources Limited (the entire issued voting share capital of which is held by CIH). These 497,600,000 shares represent an aggregate of 48.59% of the issued share capital of the Company.
- (b) 46,080,000 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 46,080,000 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).

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Save as disclosed above, at 31 March 2002, 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 the 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 as disclosed under the heading "Share option scheme" below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, 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.

SHARE OPTION SCHEME

On 20 September 1997, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the directors of the Company (other than the non-executive directors of the Company) or any of its subsidiaries and other employees of the Group. The Scheme became effective upon the listing of the Company's shares on 16 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme (together with the Company's shares issued and issuable under the 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, should not exceed 10% of the share capital of the Company in issue from time to time (excluding, for this purpose, shares issued pursuant to the Scheme).

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/her under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The exercise price of the share options pursuant to the Scheme is determinable by the directors, but should not be less than the higher of 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option, and the nominal value per share.

SHARE OPTION SCHEME (Continued)

The offer of a grant of share options under the Scheme must be accepted within 21 days after the date of the offer with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. If the Company wishes to continue to grant share options under the Scheme, it must comply with the new requirements of Chapter 17 of the Listing Rules.

The following share options were outstanding under the Scheme during the year:

| Name or category of participant | Number of share options | | | | | At 31 March 2002 | Date of grant of share options ⁽²⁾ | Exercise period of share options ⁽⁴⁾ | Exercise price of share options ^{(1), (3)} |
|---------------------------------|-------------------------|-------------------------|---------------------------|--|------------------------|-------------------|---|---|---|
| | At 1 April 2001 | Granted during the year | Exercised during the year | Adjust-ment during the year ⁽¹⁾ | Lapsed during the year | | | | |
| Directors | | | | | | | | | |
| Chan Boon Teong | 4,000,000 | - | - | 2,400,000 | - | 6,400,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Jiang Ming | 4,000,000 | - | - | 2,400,000 | - | 6,400,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Tao Lin | 4,000,000 | - | - | 2,400,000 | - | 6,400,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Cheng Wing Bor | 4,000,000 | - | - | 2,400,000 | - | 6,400,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Lin Chen Hsin | 1,000,000 | - | - | 600,000 | - | 1,600,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Shea Lam Sui ⁽⁵⁾ | 1,000,000 | - | - | 600,000 | (1,600,000) | - | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| Other employees | | | | | | | | | |
| In aggregate | 36,600,000 | - | - | 21,960,000 | (23,040,000) | 35,520,000 | 20 May 2000 | 1 October 2000 to 19 September 2007 | 0.20 |
| | <u>54,600,000</u> | <u>-</u> | <u>-</u> | <u>32,760,000</u> | <u>(24,640,000)</u> | <u>62,720,000</u> | | | |

HK\$

SHARE OPTION SCHEME *(Continued)*

Notes:

- (1) Adjusted for the rights issue of shares in the Company during the year.
- (2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (4) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.
- (5) Retired and resigned on 13 August 2001.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of CIH, as disclosed under the heading "Directors' interests in shares" above, at 31 March 2002, no person had registered an interest amounting to 10% or more in the issued share capital of the Company in the register that was required to be kept by the Company under Section 16(1) of the SDI Ordinance.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the Annual Report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice 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
30 July 2002