



Mr. CHAN Boon Teong
Chairman

On behalf of Coastal Greenland Limited (the “Company”) and its subsidiaries (collectively the “Group”), I have the pleasure to present to the shareholders my report on the operations of the Group for the year ended 31 March 2004 as follows:

RESULTS

For the financial year ended 31 March 2004, the Group has recorded a turnover of about HK\$841 million and a net profit attributable to shareholders of approximately HK\$52 million. Earning per share for the year is HK cents 2.91.

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

Since the turn-around of accomplishing a profit in last year's operations, the Group has continued to make satisfactory progress in its operating results for the financial year. A profit attributable to shareholders of approximately HK\$52 million was recorded for the year, representing a significant increase of about 11.5 times from last year. Most of the ongoing and newly launched development projects, which include Phases I, II and III of Shanghai Riviera Villa, Phases I and II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City and Phases III and IV of Anshan Greenland IT City, have made profit contributions to the Group for the year as these project accomplished satisfactory advancement in their pre-sales, sales and construction progress. The sales of the two old aged development projects, namely Phase II of Shenzhen Dragon Court and Fuzhou Mansion are also satisfactory that substantially all the remaining gross floor area in these two projects were sold during the year, thus releasing to the Group the working capital previously tied up in these two projects. For property leasing business, the leasing demand for Wuhan Wah Zhong Trade Plaza continued to be strong during the year. Substantially all the lettable floor area in this property was leased out during the year. Taking the opportunity of such a thriving market for this property, the Group had put on to the market certain floor area in this property for sale during the year and was able to generate a satisfactory result both in terms of profit and cashflow from the sale which provided additional working capital for the Group's business development. The performance of the other rental income generating property of the Group, namely Shanghai Golden Bridge Mansion, remained relatively weak as the old design features of this property has rendered it less competitive in the commercial/office leasing market.

During the year, the Group has acquired a 47.5% equity interest in a joint venture company which is engaged in the development of an island in Tang Shan City, Hebei Province, the PRC, into a tourist resort with ancillary real estate development. Details of the transaction were set out in the Company's circular dated 13 May 2003. During the year, a road of about 4 kilometers connecting the island and its nearby development zone was built and completed by the joint venture company, thus providing an improved infrastructure network for access to the island. The development of the land in the island is still at the

planning and design stage and it is expected that more time will be required for the planning and design phase due to the massive development scale and the long term investment in nature of this project.

The outbreak of SARS in the region at the beginning of the year had caused a negative impact on the operations of the Group that sales had slowed down and progress of construction of certain developments, in particular, the development project in Beijing, had been affected during the SARS prevailing period. However, with the prompt containment of SARS, the business of the Group had resumed to its full gear soon.

As pointed out in my last year's report, the Group is facing a new challenge of acquiring new development projects with potentially higher land cost and more demanding payment terms for land premium as a result of the new rules regarding the grant of land by way of tender, auction and announcements (招標拍賣掛牌) introduced by the PRC government. The impact of the new rules has started to affect the Group that the pace of the Group in acquiring new development projects has been dampened. Nevertheless, certain new development projects under negotiation by the Group have been making encouraging progresses and it is expected that such new development projects will be added to the development portfolio of the Group in the coming year.

OUTLOOK

The growth momentum in the macro economy in China is expected to remain strong. With the robust economic growth, the strong demand for residential properties is anticipated to continue in the next few years. However, recent macro economic measures introduced by the PRC central government to prevent an overheat in the PRC economy will to certain extent affect the business operating environment in the PRC. Coupled with the new government policies on regulating real estate business in the PRC regarding land grant measures and a tightened bank credit policy, the Group is expected to face with a tougher and more challenging operating environment in the years ahead. Nevertheless, the Group is confident that it has the well built up competitive strengths to march into this challenging arena.

APPRECIATION

I would like to take this opportunity to express my appreciation to our management team and staff for their hard work and contribution to the Group. I am also very thankful to our customers, suppliers, bankers and shareholders for their continuing support.

Chan Boon Teong

Chairman

Hong Kong

28 July 2004

