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 ("CIH"), which is incorporated in the British Virgin Islands.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised): "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry-forward of unused tax losses (deferred tax).

The principal impact of the revision of SSAP 12 on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Group's leasehold land and buildings, investment properties and properties held for development; and
- a deferred tax liability has been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 28 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 28 to the financial statements.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

3. 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 2004. 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 are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

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

Joint venture companies *(Continued)*

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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 impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on a basis to match the sales/pre-sales of the land/properties developed/properties under development of the underlying property development project. In the opinion of the directors, this amortisation method reflects the pattern in which the future economic benefits arising from the goodwill are expected to be consumed. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

Prior to the adoption of SSAP 30 "Business combinations" in 2002, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

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

Negative goodwill *(Continued)*

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. 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.

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

Fixed assets and depreciation *(Continued)*

Changes in the values of leasehold land and buildings are dealt with as movements in the land and building 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.

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 lease terms, 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 and properties under development for sale

Properties under development, for which pre-sales have not yet commenced, are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

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

Properties under development and properties under development for sale *(Continued)*

Properties under development which have been pre-sold are stated at cost plus attributable profits less sale 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.

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 sale deposits/instalments received, with due allowances for contingencies.

Properties held for development

Properties held for development are stated at cost or at carrying value, being the valuation made by independent professionally qualified valuers as at 31 March 1995 on an open market basis, less any impairment losses.

No further revaluations of the properties held for development have been carried out since 1995, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment" (issued in 1995), from the requirements to carry out future revaluations of its properties held for development which were stated at valuation at that time.

For properties held for development received in exchange for previously-held properties held for development, their fair value at the date of exchange is treated as the cost of acquisition.

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 the prevailing market prices, on an individual property basis.

Leased assets

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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

Long term investments

Long term investments which are intended to be held on a continuing basis are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to an impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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. The 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.

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

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) from the sale of properties, when the legally binding unconditional sale contracts are signed and exchanged;

(b) from the 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 and properties under development for sale";

(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.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

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

Employee benefits *(Continued)*

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 MPF Scheme. The assets of the MPF 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 MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension 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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development of properties in the PRC;

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential;

(c) the property management segment engages in the management of properties in the PRC; and

(d) the corporate and others segment mainly engages in investment holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no inter-segment sales and transfers during the year (2003: Nil).

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue and profit for the Group's business segments.

	Property development 2004 HK$'000	Property development 2003 HK$'000	Property investment 2004 HK$'000	Property investment 2003 HK$'000	Property management 2004 HK$'000	Property management 2003 HK$'000	Corporate and others 2004 HK$'000	Corporate and others 2003 HK$'000	Consolidated 2004 HK$'000	Consolidated 2003 HK$'000 (Restated)
Segment revenue:										
Sales to external customers	**810,786**	579,528	**27,589**	29,681	**3,098**	1,565	**–**	–	**841,473**	610,774
Segment results	**120,768**	56,143	**13,574**	18,421	**2,664**	(5,508)	**(9,662)**	(30,680)	**127,344**	38,376
Interest income									**223**	227
Profit from operating activities									**127,567**	38,603
Finance costs									**(13,196)**	(14,037)
Share of profits and losses of:										
Jointly-controlled entities	**(18,011)**	(8)	**–**	–	**–**	–	**–**	–	**(18,011)**	(8)
Associate	**(3,913)**	–	**–**	–	**–**	–	**–**	–	**(3,913)**	–
Amortisation of goodwill on acquisition of an associate	**(1,041)**	–	**–**	–	**–**	–	**–**	–	**(1,041)**	–
Profit before tax									**91,406**	24,558
Tax									**(41,910)**	(20,314)
Profit before minority interests									**49,496**	4,244
Minority interests									**2,851**	(70)
Net profit from ordinary activities attributable to shareholders									**52,347**	4,174

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

The following table presents certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment assets	**2,393,887**	2,150,614	**452,981**	455,420	**11,657**	12,019	**42,469**	11,130	**2,900,994**	2,629,183
Interests in jointly-controlled entities	**80,813**	17,396	**–**	–	**–**	–	**–**	(4,495)	**80,813**	12,901
Interest in an associate	**20,309**	–	**–**	–	**–**	–	**–**	–	**20,309**	–
Unallocated assets									**19,240**	560
Bank overdrafts included in segments assets	**–**	–	**–**	–	**–**	–	**9,153**	8,323	**9,153**	8,323
Total assets									**3,030,509**	2,650,967
Segment liabilities	**300,849**	377,837	**67,471**	78,507	**5,710**	4,047	**4,840**	5,162	**378,870**	465,553
Unallocated liabilities									**1,327,032**	1,078,413
Bank overdrafts included in segments assets	**–**	–	**–**	–	**–**	–	**9,153**	8,323	**9,153**	8,323
Total liabilities									**1,715,055**	1,552,289
Other segment information:										
Depreciation	**1,742**	637	**3,995**	4,140	**260**	105	**728**	801	**6,725**	5,683
Revaluation deficit/(surplus) on leasehold land and buildings	**–**	–	**–**	–	**–**	–	**(410)**	526	**(410)**	526
Amortisation of goodwill	**4,292**	–	**–**	–	**–**	–	**–**	–	**4,292**	–
Provision for impairment of properties under development	**3,668**	–	**–**	–	**–**	–	**–**	–	**3,668**	–
Loss on disposal of fixed assets	**93**	–	**–**	–	**–**	–	**–**	125	**93**	125
Capital expenditure	**2,275**	5,689	**3,195**	8,812	**767**	280	**462**	257	**6,699**	15,038

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Corporate and others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**–**	–	**841,322**	610,307	**151**	467	**841,473**	610,774
Other segment information:								
Segment assets	**723**	711	**3,022,566**	2,642,732	**(1,933)**	(799)	**3,021,356**	2,642,644
Bank overdrafts included in segment assets	**–**	–	**–**	–	**9,153**	8,323	**9,153**	8,323
							3,030,509	2,650,967
Capital expenditure	**–**	–	**6,237**	14,781	**462**	257	**6,699**	15,038

5. 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 gross rental income and property management income.

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

	Group	
	2004	2003
	HK$'000	HK$'000
Sale of properties	**810,786**	579,528
Gross rental income	**27,589**	29,681
Property management income	**3,098**	1,565
	841,473	610,774

6. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2004	2003
	Notes	**HK$'000**	HK$'000
Cost of properties for sale sold		**632,530**	494,885
Depreciation	14	**7,679**	6,622
Less: Amounts capitalised in properties under development		**(954)**	(939)
		6,725	5,683
Minimum lease payments under operating leases for land and buildings		**2,330**	1,252
Less: Amounts capitalised in properties under development		**(811)**	(20)
		1,519	1,232
Auditors' remuneration		**960**	800
Staff costs (including directors' remuneration)	8	**25,493**	22,619
Pension scheme contributions		**97**	476
Less: Amounts capitalised in properties under development		**(7,173)**	(3,372)
		18,417	19,723
Provision for long service payments	29	**175**	1,658
Provision for impairment of properties under development*	15	**3,668**	–
Loss on disposal of fixed assets		**93**	125
Revaluation deficit/(surplus) on leasehold land and buildings		**(410)**	526
Amortisation of goodwill*	17	**4,292**	–
Interest income		**(223)**	(227)
Exchange losses/(gains), net		**1,509**	(715)
Gross rental income		**(27,589)**	(29,681)
Less: Outgoings		**7,372**	7,169
Net rental income		**(20,217)**	(22,512)

* Included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**35,008**	33,423
Interest on other loans	**572**	–
	35,580	33,423
Less: Amounts capitalised in properties under development	**(22,384)**	(19,386)
	13,196	14,037

8. DIRECTORS' REMUNERATION

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

	Group	
	2004	2003
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**10**	10
Independent non-executive directors	**100**	60
Executive directors' other emoluments:		
Basic salaries and bonuses	**4,707**	5,108
Pension scheme contributions	**60**	60
Housing benefits, other allowances and benefits in kind	**869**	744
	5,746	5,982

8. DIRECTORS' REMUNERATION *(Continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil – HK$1,000,000	**5**	7
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	1
	8	11

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK$50,000 (2003: HK$50,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2003: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2003: one) non-director, highest paid individual for the year fell within the band of Nil – HK$1,000,000 (2003: Nil – HK$1,000,000), details of which are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Basic salaries and bonuses	**883**	759
Pension scheme contributions	**12**	12
	895	771

10. TAX

	Group 2004 HK$'000	2003 HK$'000 (Restated)
Group:		
Current – Elsewhere		
Charge for the year	**20,940**	943
Deferred tax (note 28)	**20,970**	19,371
Total tax charge for the year	**41,910**	20,314

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). The increased Hong Kong profits tax rate from 16% to 17.5% became effective from the year of assessment 2003/2004, and so is applicable to any assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004.

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in 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. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions and preferential tax rates.

No provision for land appreciation tax ("LAT") had been made by a jointly controlled entity of the Group in respect of the gain on disposal of certain land held by the jointly controlled entity as it had not been required by the relevant authorities to pay LAT and the directors of the Company consider that it is unlikely for the jointly controlled entity to receive demands from the tax authorities for payment of LAT, which is estimated to be approximately HK$14 million.

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2004

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(62,868)		154,274		91,406	
Tax at the statutory tax rate	(11,002)	(17.5)	50,911	33.0	39,909	43.7
Tax effect of tax losses not recognised	11,002	17.5	14,653	9.5	25,655	28.1
Lower tax rate for specific provinces or local authority	–	–	(16,216)	(10.5)	(16,216)	(17.7)
Tax losses from previous periods utilised	–	–	(7,438)	(4.8)	(7,438)	(8.2)
Tax charge at the Group's effective rate	–	–	41,910	27.2	41,910	45.9

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(25,524)		50,082		24,558	
Tax at the statutory tax rate	(4,084)	(16.0)	16,527	33.0	12,443	50.7
Tax effect of tax losses not recognised	4,084	16.0	5,860	11.7	9,944	40.5
Lower tax rate for specific provinces or local authority	–	–	(2,073)	(4.1)	(2,073)	(8.5)
Tax charge at the Group's effective rate	–	–	20,314	40.6	20,314	82.7

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company was a net loss of approximately HK$383,546,000 (2003: HK$6,411,000) (note 32).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$52,347,000 (2003 (restated): HK$4,174,000) and the weighted average of 1,796,602,740 (2003: 1,024,000,000) shares in issue during the year.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the years ended 31 March 2004 and 2003, they exerted no dilution effect on the basic earnings per share for the years ended 31 March 2004 and 2003.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**2,551,248**	2,409,683
Amounts due from subsidiaries	**402,268**	457,250
	2,953,516	2,866,933
Less: Provision for impairment	**(1,785,798)**	(1,409,798)
	1,167,718	1,457,135

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

Further particulars of the principal subsidiaries are set out in note 39 to the financial statements.

14. FIXED ASSETS

Group	Investment properties	Leasehold land and buildings in Hong Kong	Long term leasehold land and buildings in the PRC	Leasehold improve-ments	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At beginning of year	380,430	3,170	11,159	21,328	11,478	6,826	434,391
Additions	–	–	–	606	2,971	3,122	6,699
Transfer from completed properties for sale	5,114	–	–	–	–	–	5,114
Disposals	–	–	(82)	–	(3,100)	(756)	(3,938)
Surplus on revaluation	15,911	340	–	–	–	–	16,251
At 31 March 2004	**401,455**	**3,510**	**11,077**	**21,934**	**11,349**	**9,192**	**458,517**
Accumulated depreciation:							
At beginning of year	–	–	1,618	8,158	5,222	3,056	18,054
Provided during the year	–	70	406	4,266	1,936	1,001	7,679
Disposals	–	–	(34)	–	(896)	(713)	(1,643)
Write back on revaluation	–	(70)	–	–	–	–	(70)
At 31 March 2004	**–**	**–**	**1,990**	**12,424**	**6,262**	**3,344**	**24,020**
Net book value:							
At 31 March 2004	**401,455**	**3,510**	**9,087**	**9,510**	**5,087**	**5,848**	**434,497**
At 31 March 2003	380,430	3,170	9,541	13,170	6,256	3,770	416,337
Analysis of cost or valuation:							
At cost	–	–	–	21,934	11,349	9,192	42,475
At valuation	401,455	3,510	11,077	–	–	–	416,042
	401,455	3,510	11,077	21,934	11,349	9,192	458,517

The leasehold land and buildings in Hong Kong are held under medium term leases as to the amount of approximately HK$990,000 and under long term leases as to the amount of approximately HK$2,520,000.

In the opinion of the directors, the fair values of the Group's 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 further revaluation was therefore performed.

14. FIXED ASSETS *(Continued)*

The Group's leasehold land and buildings in Hong Kong were revalued at 31 March 2004 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$3,510,000 on an open market, existing use basis. A revaluation surplus of HK$410,000 resulting from the above valuation has been credited to the profit and loss account.

Had the Group's total leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$9,168,000 (2003: HK$9,902,000).

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	2004 **HK$'000**
Medium term leases	**380,025**
Long term leases	**21,430**
	401,455

All of the Group's investment properties in the PRC were revalued at 31 March 2004 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$401,455,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

Certain investment properties with an aggregate carrying value of HK$395 million (2003: HK$379 million) have been pledged to banks to secure banking facilities granted to the Group (note 26).

Further particulars of the Group's investment properties are set out on pages 86 and 87 of the annual report.

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2004	2003
	HK$'000	HK$'000
At beginning of year	**569,580**	530,476
Additions	**595,402**	412,399
Transfer from properties held for development (note 16)	**25,238**	96,935
Attributable profits	**50,565**	39,991
	1,240,785	1,079,801
Less: Sale deposits and instalments received	**(166,946)**	(256,284)
	1,073,839	823,517
Provision for impairment	**(3,668)**	–
	1,070,171	823,517
Transfer to completed properties for sale	**(542,089)**	(253,937)
	528,082	569,580
Portion classified as properties under development for sale under current assets	**(392,282)**	(489,131)
	135,800	80,449

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

Certain properties under development with an aggregate carrying value of HK$503 million (2003: HK$381 million) have been pledged to banks to secure banking facilities granted to the Group (note 26).

Further particulars of the Group's properties under development are set out on pages 88 and 89 of the annual report.

16. PROPERTIES HELD FOR DEVELOPMENT

	Group	
	2004	2003
	HK$'000	HK$'000
At beginning of year	**1,183,263**	1,261,918
Additions	**10,527**	18,280
Transfer to properties under development (note 15)	**(25,238)**	(96,935)
Revaluation reserve eliminated upon reclassification to properties under development (note 32)	**(5,800)**	–
At 31 March	**1,162,752**	1,183,263

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

As at 31 March 2004, the above properties include certain properties held for development amounting to approximately HK$637 million (2003: HK$1,110 million), for which the Group has obtained only provisional land use right certificates. The procedures for the issue of provisional land use right certificates and full formal land use rights certificates, together with details of the further land grant fees payable to the local government authorities in connection with the land use rights, are set out in note 27 to the financial statements.

Certain properties held for development with a carrying value of HK$471 million (2003: HK$165 million) have been pledged to a bank to secure banking facilities granted to the Group (note 26).

Further particulars of the Group's properties held for development are set out on page 90 of the annual report.

17. GOODWILL AND NEGATIVE GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group Goodwill HK$'000
Cost:	
At beginning of year:	
As previously reported	–
Prior year adjustment – SSAP 12 – restatement of deferred tax	10,207
As restated	10,207
Acquisition of subsidiaries (note 33(b))	15,842
At 31 March 2004	**26,049**
Accumulated amortisation:	
At beginning of year	–
Provided during the year	4,292
At 31 March 2004	**4,292**
Net book value:	
At 31 March 2004	**21,757**
At 31 March 2003	10,207

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2002, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain credited to the capital reserve.

The amount of the negative goodwill remaining in consolidated reserves as at 31 March 2004, arising from acquisitions of subsidiaries prior to the adoption of the SSAP in 2002, is as follows:

Group	**Negative goodwill credited to consolidated capital reserve** HK$'000
At cost:	
At beginning of year and 31 March 2004	9,852

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net assets	**98,478**	25,429
Amounts due from jointly-controlled entities	**8,408**	742
Amounts due to jointly-controlled entities	**(26,073)**	(13,270)
	80,813	12,901

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

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration	Group's percentage of Ownership interest	Group's percentage of Voting power	Group's percentage of Profit sharing	Principal activities
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%	Dormant
Tangshan New Island Tourism Development Company Limited*	Corporate	PRC	45%	25%	45%	Property development
Tianjin Coastal Greenland Real Estate Co., Ltd.*	Corporate	PRC	70%	60%	70%	Dormant

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

19. INTEREST IN AN ASSOCIATE

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**22,897**	–
Share of net assets	**14,760**	–	**–**	–
Goodwill on acquisition	**3,183**	–	**–**	–
	17,943	–	**22,897**	–
Loan to an associate	**2,366**	–	**2,366**	–
	20,309	–	**25,263**	–

The loan to the associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Unicorn Power Limited	Corporate	Hong Kong	20	Investment holding

The above associate was acquired during the year (note 37(a)).

The movement of the goodwill arising from the acquisition of the associate is as follows:

	HK$'000
Cost:	
Acquisition of an associate during the year and at 31 March 2004	4,224
Accumulated amortisation:	
Provided during the year and at 31 March 2004	1,041
Net book value:	
At 31 March 2004	**3,183**
At 31 March 2003	–

20. LONG TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	HK$'000
Club membership debenture, at cost	**560**	560
Unlisted equity investment, at carrying amount	**18,680**	–
	19,240	560

The Group's unlisted equity investment at the balance sheet date represents a 67% equity interest in the registered capital of Haiji Property Development (An Shan) Limited ("Haiji"), which is a Sino-foreign equity joint venture established in the PRC. In the opinion of the directors, the Group ceased to have joint control nor significant influence over Haiji upon the completion of construction of Haiji's convention and exhibition centre in August 2003. Since then, the Group's investment in Haiji was accounted for as a long term investment.

21. 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 and deposits pledged to banks for banking facilities granted to the Group.

22. COMPLETED PROPERTIES FOR SALE

The carrying amount of completed properties for sale carried at net realisable value is HK$99,740,000 (2003: HK$103,236,000).

Certain completed properties for sale with an aggregate carrying value of HK$92 million (2003: HK$69 million) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 26).

Further particulars of the Group's completed properties for sale are set out on pages 86 to 88 of the annual report.

23. 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.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions for bad and doubtful debts, is as follows:

	2004		2003	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
0 – 30 days	**2,520**	**6**	3,334	7
31 – 60 days	**727**	**2**	–	–
61 – 90 days	**280**	**1**	–	–
Over 90 days	**35,106**	**91**	46,146	93
	38,633	**100**	49,480	100

24. DUE TO THE ULTIMATE HOLDING COMPANY

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

25. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	2004		2003	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
0 – 30 days	**397**	**0.4**	4	–
31 – 60 days	**–**	**–**	387	0.4
61 – 90 days	**–**	**–**	230	0.2
Over 90 days	**112,282**	**99.6**	95,792	99.4
	112,679	**100**	96,413	100

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group 2004 HK$'000	Group 2003 HK$'000
Bank overdrafts:		
Secured	–	–
Unsecured	9,153	8,323
	9,153	8,323
Bank loans:		
Secured	661,428	500,483
Unsecured	29,372	41,918
	690,800	542,401
Other loans:		
Secured	34,068	51,115
Unsecured	49,258	14,407
	83,326	65,522
	783,279	616,246
Bank overdrafts repayable within one year or on demand	9,153	8,323
Bank loans repayable:		
Within one year or on demand	376,966	405,648
In the second year	222,727	136,753
In the third to fifth years, inclusive	91,107	–
	690,800	542,401
Other loans repayable:		
Within one year	39,164	51,673
In the second year	3,718	558
In the third to fifth years, inclusive	12,081	1,673
Beyond five years	28,363	11,618
	83,326	65,522
	783,279	616,246
Portion classified as current liabilities	(425,283)	(465,644)
Long term portion	357,996	150,602

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

(a) Certain of the Group's bank loans are secured by:

(i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK$395 million (note 14);

(ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK$503 million (note 15);

(iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK$50 million (note 22);

(iv) certain properties held for development of the Group with a carrying value at the balance sheet date of approximately HK$471 million (note 16); and

(v) corporate guarantees from the Company and certain of its subsidiaries.

(b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$42 million and a 50% equity interest in Shanghai Coastal Golden Bridge Real Estate Ltd. (see below), a wholly owned subsidiary of the Company, at the balance sheet date. The other loans bear interest at rates ranging from 5% to 14% per annum.

In December 2003, Shanghai Ling Zhi Properties Co., Ltd. ("Ling Zhi"), a wholly owned subsidiary of the Company, entered into various agreements (collectively the "Agreements") with a PRC company (the "Lender") for a bridging loan of approximately HK$35.7 million (RMB38.4 million) for financing a property project of Shanghai Coastal Golden Bridge Real Estate Ltd. ("Shanghai Golden Bridge"), a wholly owned subsidiary of the Company, in the PRC (the "Transaction"). Under the Agreements, Ling Zhi disposed of its 50% equity interest in Shanghai Golden Bridge to the Lender for a consideration of HK$44.6 million (RMB48 million) and the Lender is not entitled to any pre-acquisition retained profits of Shanghai Golden Bridge attributable to the 50% equity interest. The Group has both the rights and obligations to repurchase the 50% equity interest in Shanghai Golden Bridge from the Lender at the original consideration of HK$44.6 million (RMB48 million) within 30 days after 10 months from the date of the original transfer of the 50% interest. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of Shanghai Golden Bridge. As at 31 March 2004, the Group has paid a deposit of HK$8.9 million (RMB9.6 million) to the Lender in respect of the repurchase obligation. Under the Agreements, the Lender is entitled to an upfront service fee of HK$1.4 million (RMB1.5 million) for a period of 11 months commencing the date of payment of the purchase consideration by the Lender to the Group. In addition, the Lender is entitled to a guaranteed profit of HK$3.2 million (RMB3.4 million) from Shanghai Golden Bridge in return for surrendering the management and operating rights in relation to the 50% equity interest held by the Lender in Shanghai Golden Bridge. Ling Zhi has also executed a legal charge over certain of its properties with an aggregate carrying value of HK$15.4 million in favour of the Lender in respect of its various obligations under the Agreements. The Group has accounted for the net proceeds of HK$35.7 million (RMB38.4 million) received from the Lender as an other loan and the service fee and guaranteed profit paid and payable to the Lender as finance costs in the current year's financial statements to reflect the commercial substance of the Transaction.

27. LONG TERM PAYABLES

	Group	
	2004	2003
	HK$'000	HK$'000
Balance at beginning of year	**111,475**	151,847
Additions for properties held for development	**–**	8,790
Reclassification to trade payables	**(72,536)**	(49,162)
Other additions	**2,703**	–
At 31 March	**41,642**	111,475

The long term payables mainly represent land grant fees 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 further land grant fee considerations are payable only upon the commencement of development of the relevant projects and according to the progress of the development. Until the land grant fee in respect of a particular site has been fully paid, the Group is only permitted to apply for a provisional land use right certificate, not the formal land use right certificate, for that site and the Group is not allowed to transfer, mortgage or lease the relevant properties in respect of that site without the consent of the local government authorities.

As at 31 March 2004, the Group has obtained only provisional land use right certificates for certain properties held for development amounting to approximately HK$637 million (2003: HK$1,110 million). The balance of the land grant fees in respect of these properties held for development, comprising the long term payable amount above, will not be payable within one year and the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group	2004			
	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2003				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	10,744	349,691	63,332	423,767
As restated	10,744	349,691	63,332	423,767
Deferred tax charged to the profit and loss account during the year (note 10)	–	–	20,970	20,970
Deferred tax credited to equity during the year	–	5,326	–	5,326
Gross deferred tax liabilities At 31 March 2004	10,744	355,017	84,302	450,063

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

Group	2003			
	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2002				
As previously reported	–	–	–	–
Prior year adjustment:				
SSAP 12 – restatement of deferred tax	10,744	349,691	43,961	404,396
As restated	10,744	349,691	43,961	404,396
Deferred tax charged to the profit and loss account during the year (note 10)	–	–	19,371	19,371
Gross deferred tax liabilities At 31 March 2003	10,744	349,691	63,332	423,767

The Group has tax losses arising in Hong Kong of HK$60,488,000 (2003: HK$49,355,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 31 March 2004 and 2003 by HK$450,063,000 and HK$423,767,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2004 and 2003 have been increased by HK$4,800,000 and decreased by HK$1,737,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been reduced by HK$368,403,000 and HK$366,666,000, respectively, as detailed in note 32 to the financial statements.

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at beginning of year	**1,658**	–	**835**	–
Provision for the year	**175**	1,658	**74**	835
At end of year	**1,833**	1,658	**909**	835

30. SHARE CAPITAL

Shares

	2004	2003
	HK$'000	HK$'000
Authorised:		
3,000,000,000 (2003: 1,500,000,000) ordinary shares of HK$0.10 each	**300,000**	150,000
Issued and fully paid:		
2,024,000,000 (2003: 1,024,000,000) ordinary shares of HK$0.10 each	**202,400**	102,400

As further detailed in note 37(a) to the financial statements, during the year, the Company allotted and issued 1,000,000,000 ordinary shares of HK$0.10 each in satisfaction of the consideration for the acquisition of an aggregate 47.5% indirect interest in a joint venture company in the PRC. The authorised share capital of the Company was increased from HK$150,000,000 to HK$300,000,000 by the creation of 1,500,000,000 additional unissued shares of HK$0.10 each, ranking *pari passu* in all respects with the existing share capital of the Company, to accommodate the allotment and issue of the new shares. The excess amounting to HK$20,000,000 of the estimated fair value of the Company's shares issued over the nominal value of the shares is recorded in the share premium account.

The published price of the Company's shares on the Stock Exchange at the date of acquisition has not been used as the fair value in determining the purchase consideration for the aforesaid acquisition as, in the opinion of the directors, the published price at the date of acquisition has been affected by the narrowness of the Company's share trading on the Stock Exchange. The directors have determined the fair value by using the average closing price of the Company's shares for the period from the announcement date of the aforesaid acquisition to the date of acquisition. The aggregate amount of the difference between the published price and the amount determined to be the fair value of the Company's shares amounted to approximately HK$14 million.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

On 20 September 1997, the Company adopted a share option scheme (the "Scheme 1997") for the eligible participants, including the directors of the Company (other than non-executive directors) or any of its subsidiaries and other employees of the Group, pursuant to which options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time were able to be granted. Under the Scheme 1997, the directors were allowed to terminate the Scheme 1997 at any time and in accordance therewith, the directors terminated the Scheme 1997 on 30 August 2002. However, all the options granted under the Scheme 1997 which remained outstanding on the date of termination of the Scheme 1997 continue to be valid and exercisable in accordance with the provisions of the Scheme 1997.

A new option scheme (the "Scheme 2002") was adopted by the shareholders of the Company at the annual general meeting held on 24 September 2002. Under the Scheme 2002, the directors of the Company may, subject to and in accordance with the provisions of the Scheme 2002 and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. A summary of the principal terms of the Scheme 2002 is as follows:

(a) Purposes of the Scheme 2002

The purposes of the Scheme 2002 are to provide incentives or rewards to eligible participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

(b) Eligible participants ("Participants")

The directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares in the capital of the Company:

(i) any eligible employee of the Company or its subsidiaries;

(ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any legal or financial adviser of the Group or any Invested Entity or any technical consultant that provides research, development or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity who has made or may make a contribution to the development and growth of the Group or any Invested Entity;

31. SHARE OPTION SCHEMES *(Continued)*

(b) Eligible participants ("Participants") *(Continued)*

and, for the purposes of the Scheme 2002, options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

The basis of eligibility of any of the above classes of Participants to the grant of any option shall be determined by the directors from time to time with regard to their contribution to the development and growth of the Group and any Invested Entity.

(c) Maximum number of shares

(i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company.

(iii) At 31 March 2004, the number of shares issuable under share options granted under the Scheme 1997 was 62,720,000, which represented approximately 6.1% of the Company's shares in issue at that date.

(d) Maximum entitlement of each Participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant is subject to the issue of a circular to the shareholders and the shareholders' approval in a general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of options to connected persons

(i) Any grant of options under the Scheme 2002 to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options).

31. **SHARE OPTION SCHEMES** *(Continued)*

(e) **Grant of options to connected persons** *(Continued)*

(ii) Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1% of the Company's shares in issue; and

(bb) having an aggregate value, based on the closing price of the Company's shares at the date of each grant, in excess of HK$5,000,000,

such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates must be approved by the shareholders in a general meeting.

(f) **Time of acceptance and exercise of an option**

An offer of a grant of an option may be accepted by a Participant within 28 days from the date of the offer of the grant of the option. A consideration of HK$1 in total is payable on acceptance of the offer of grant of an option.

An option may be exercised in accordance with the terms of the Scheme 2002 at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the day on which the offer of the grant of the option is made but shall end in any event not later than ten years from the date of the grant of the option subject to the provisions for early termination thereof. The directors may at their discretion determine the minimum period for which an option granted under the Scheme 2002 must be held before it can be exercised, although there is no specific requirement of such a minimum period under the Scheme 2002.

(g) **Basis of determining the option exercise price**

The subscription price for the shares under the Scheme 2002 shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. Without prejudice to the generality of the foregoing, the directors may grant options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for the Company's shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

31. SHARE OPTION SCHEMES *(Continued)*

(h) Period of the Scheme 2002

The Scheme 2002 will remain in force for a period of ten years commencing on 24 September 2002.

No share options have been granted under the Scheme 2002 since its adoption. The following share options were outstanding under the Scheme 1997 during the year:

Name or category of participant	Number of share options: At 1 April 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2004	Date of grant of share options[1]	Exercise period of share options[3]	Exercise price of share options[2] HK$
Directors								
Chan Boon Teong	6,400,000	–	–	–	**6,400,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	–	–	–	**6,400,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	–	–	–	**6,400,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	–	–	–	**6,400,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	–	–	–	**1,600,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	–	–	–	**35,520,000**	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	–	–	–	**62,720,000**			

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) 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.

(3) 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.

At the balance sheet date, the Company had 62,720,000 share options outstanding under the Scheme 1997. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,720,000 additional ordinary shares of the Company and additional share capital of HK$6,272,000 and share premium of HK$6,272,000 (before issue expenses).

32. RESERVES

Group	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Land and building revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Properties held for development revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	PRC reserve funds (Note) HK$'000	Total HK$'000
At 1 April 2002:										
As previously reported	310,980	131,803	10,781	5,833	65,644	18,931	(472)	827,192	2,044	1,372,736
Prior year adjustment:										
SSAP 12 – restatement of deferred tax	–	–	–	(970)	(21,678)	–	–	(366,666)	–	(389,314)
As restated	310,980	131,803	10,781	4,863	43,966	18,931	(472)	460,526	2,044	983,422
Net profit for the year	–	–	–	–	–	–	–	4,174	–	4,174
Transfer	–	–	–	–	–	–	–	(1,663)	1,663	–
At 31 March 2003	310,980	131,803	10,781	4,863	43,966	18,931	(472)	463,037	3,707	987,596
At 1 April 2003:										
As previously reported	310,980	131,803	10,781	5,833	65,644	18,931	(472)	831,440	3,707	1,378,647
Prior year adjustment:										
SSAP 12 – restatement of deferred tax	–	–	–	(970)	(21,678)	–	–	(368,403)	–	(391,051)
As restated	310,980	131,803	10,781	4,863	43,966	18,931	(472)	463,037	3,707	987,596
Issue of shares	20,000	–	–	–	–	–	–	–	–	20,000
Share issue expenses	(900)	–	–	–	–	–	–	–	–	(900)
Surplus on revaluation	–	–	–	–	10,585	–	–	–	–	10,585
Revaluation reserve eliminated upon transfer of properties held for development to properties under development	–	–	–	–	–	(5,569)	–	–	–	(5,569)
Net profit for the year	–	–	–	–	–	–	–	52,347	–	52,347
Transfer	–	–	–	–	–	–	–	(2,366)	2,366	–
At 31 March 2004	**330,080**	**131,803**	**10,781**	**4,863**	**54,551**	**13,362**	**(472)**	**513,018**	**6,073**	**1,064,059**

32. RESERVES *(Continued)*

Group	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Land and building revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Properties held for development revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	PRC reserve funds (Note) HK$'000	Total HK$'000
Reserves retained by:										
Company and subsidiaries	330,080	131,803	10,781	4,863	54,551	13,362	(472)	537,348	6,073	1,088,389
Jointly-controlled entities	–	–	–	–	–	–	–	(20,417)	–	(20,417)
Associate	–	–	–	–	–	–	–	(3,913)	–	(3,913)
31 March 2004	**330,080**	**131,803**	**10,781**	**4,863**	**54,551**	**13,362**	**(472)**	**513,018**	**6,073**	**1,064,059**
Reserves retained by:										
Company and subsidiaries	310,980	131,803	10,781	4,863	43,966	18,931	(472)	465,451	3,707	990,010
Jointly-controlled entities	–	–	–	–	–	–	–	(2,414)	–	(2,414)
31 March 2003	310,980	131,803	10,781	4,863	43,966	18,931	(472)	463,037	3,707	987,596

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to their use.

Company	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2002	310,980	2,409,483	(1,361,201)	1,359,262
Net loss for the year	–	–	(6,411)	(6,411)
At 31 March 2003 and beginning of year	310,980	2,409,483	(1,367,612)	1,352,851
Issue of shares	20,000	–	–	20,000
Share issue expenses	(900)	–	–	(900)
Net loss for the year	–	–	(383,546)	(383,546)
At 31 March 2004	**330,080**	**2,409,483**	**(1,751,158)**	**988,405**

32. RESERVES *(Continued)*

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.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) During the year, the Company allotted and issued 1,000,000,000 ordinary shares of HK$0.10 each in satisfaction of the consideration for the acquisition of a 100% interest in Carry Investment Limited, a 70% interest in China Max Development Limited and a 20% interest in Unicorn Power Limited, whose principal assets are their respective interests in a joint venture company as detailed in note 37(a) to the financial statements.

(ii) During the year, the Group made a prepayment of HK$21,375,000, which was satisfied by certain of the Group's completed properties for sale and properties under development for sale, in connection with the acquisition of a company incorporated in Hong Kong. The acquisition has not been completed as at the balance sheet date.

(b) Acquisition of subsidiaries

	2004 HK$'000
Net assets acquired:	
Share of net assets in a jointly controlled entity	**90,224**
Due from a jointly controlled entity	**4,450**
Due to a minority shareholder	**(1,774)**
Minority interests	**(14,005)**
	78,895
Goodwill on acquisition	**15,842**
	94,737
Satisfied by:	
Issue of shares	**94,737**

There is no cash flow impact in respect of the acquisition of the subsidiaries.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

On 23 June 2003, the Group acquired a 100% interest in Carry Investment Limited and a 70% interest in China Max Development Limited. They are investment holding companies whose principal assets are their respective interests in a joint venture company as detailed in note 37(a) to the financial statements. The purchase consideration for the acquisition was satisfied by the allotment and issue of 789,473,684 new shares of HK$0.10 each by the Company.

The subsidiaries acquired in the current year made no contribution to the Group's turnover and contributed a loss of HK$17,679,000 to the consolidated profit after tax and before minority interests for the year.

34. CONTINGENT LIABILITIES

At 31 March 2004, the Group had given guarantees to the extent of approximately HK$339,921,000 (2003: HK$342,103,000) to banks in respect of mortgage loan facilities granted by the banks to buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 31 March 2004, the Company had given guarantees to the extent of approximately HK$61,759,000 (2003: HK$142,006,000) to banks for banking facilities granted to its subsidiaries.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for varying terms according to market demand. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**22,575**	14,523
In the second to fifth years, inclusive	**22,570**	6,676
Beyond fifth year	**428**	–
	45,573	21,199

35. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for varying terms according to market conditions.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**1,736**	1,767
In the second to fifth years, inclusive	**1,242**	124
Beyond fifth year	**901**	–
	3,879	1,891

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group	
	2004	2003
	HK$'000	HK$'000
Property development expenditure:		
Contracted, but not provided for	**278,930**	261,685
Authorised, but not contracted for	**750,032**	339,432
	1,028,962	601,117
Acquisition of investments	**377,323**	–
Capital contribution payable to a jointly controlled entity	**17,752**	–
	1,424,037	601,117

At 31 March 2004, the Group's share of capital commitment in respect of jointly controlled entities was nil (2003: HK$6,759,000).

At the balance sheet date, the Company did not have any significant commitments.

37. RELATED PARTY TRANSACTIONS

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

(a) On 17 April 2003, the Company entered into various acquisition agreements with Coastal Enterprise Group Limited, a wholly-owned subsidiary of CIH, and three independent third parties for considerations of approximately HK$48,421,000 and HK$51,579,000, respectively, in relation to the acquisition of a 100% interest in Carry Investment Limited ("Carry"), a 70% interest in China Max Development Limited ("China Max") and a 20% interest in Unicorn Power Limited ("Unicorn"). Carry, China Max and Unicorn are investment holding companies whose principal assets are their respective interests of 20%, 25% and 50% in Tangshan New Island Tourism Development Company Limited, a Sino-foreign joint venture company established in the PRC (the "Joint Venture Company") (the "Acquisitions"). The Joint Venture Company is principally engaged in the development of the Da Wang Gang Island, which is situated at Lao Ting County, Tang Shan City, Hebei Province, the PRC, into a tourist resort with ancillary real estate development. The aggregate consideration of HK$100,000,000 for the Acquisitions was satisfied by the allotment and issue of 1,000,000,000 new shares of HK$0.10 each by the Company (the "Consideration Shares"), with 789,473,684 new shares and 210,526,316 new shares attributable to Carry and China Max, and Unicorn, respectively.

The Acquisitions and the allotment and issue of the Consideration Shares were approved by the independent shareholders of the Company at a special general meeting held on 9 June 2003.

Further details in respect of the Acquisitions are set out in the Company's announcement dated 23 April 2003 and the Company's circular to shareholders dated 13 May 2003. The Acquisitions were completed in June 2003.

(b) During the year, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans aggregating HK$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 31 March 2004, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to HK$41.9 million (note 22) and HK$34.1 million (note 26), respectively.

38. POST BALANCE SHEET EVENTS

In July 2003, Coastal Greenland Development (Fujian) Ltd. ("Coastal Fujian") and Coastal Realty Development Co. Limited, which are wholly owned subsidiaries of the Company, entered into a conditional interest waiver agreement with a bank in relation to a waiver of certain interest payable amounting to approximately HK$9,154,000 owed by Coastal Fujian to the bank. The interest payable has been included in the Group's other payables and accruals in the consolidated balance sheet as at 31 March 2004. Subsequent to the balance sheet date, in July 2004, all the necessary conditions of the interest waiver agreement were fulfilled and the Group's interest payable of approximately HK$9,154,000 was waived and written back as income accordingly.

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date 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 subsidiaries:				
Carry Investment Limited*	Hong Kong	HK$100 Ordinary	100%	Investment holding
China Max Development Limited*	Hong Kong	HK$100 Ordinary	70%	Investment holding
Coastal Realty (BVI) Limited	British Virgin Islands/Hong Kong	US$200 Ordinary	100%	Investment holding
深圳沿海國投置業有限公司^	PRC	US$11,000,000	65%	Property development
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited^	PRC	RMB112,050,000	95%	Property development
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

39. PARTICULARS OF THE PRINCIPAL 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 (Shenzhen) Ltd.#	PRC	US$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd.#	PRC	RMB100,000,000	100%	Property development
Coastal Greenland Development Jiangxi Limited	PRC	US$10,000,000	100%	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK$10 Ordinary HK$20,000,000 Non-voting deferred (Note ii)	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.#	PRC	US$12,000,000	100%	Property investment
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
My Home Services (Shenzhen) Ltd.#	PRC	US$121,000	100%	Property management
My Home Services (Wuhan) Ltd.#	PRC	HK$1,000,000	100%	Property management
Comfort Property Management (Xiamen) Ltd.#	PRC	RMB3,000,000	100%	Property management

39. PARTICULARS OF THE PRINCIPAL 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)*				
Direct Pole Limited	Hong Kong	HK$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK$2 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
Greaton Development Limited	Hong Kong	HK$2 Ordinary	100%	Property investment
Kingdom Ace 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
Pearl Square Enterprises Limited	Hong Kong	HK$2 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd.^	PRC	RMB10,000,000	100%	Property development
Shanghai Coastal Greenland Real Estate Ltd.^	PRC	RMB20,000,000	100%	Investment holding
Shanghai Ling Zhi Properties Co., Ltd.^	PRC	US$25,000,000	100%	Property investment

39. PARTICULARS OF THE PRINCIPAL 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)*				
Shanghai My Home Services Co., Ltd.^	PRC	RMB3,000,000	100%	Property management
Strive More Industrial Limited	Hong Kong	HK$102,500 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK$2 Ordinary	100%	Property investment
Trenco Properties Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Wuhan Commercial Plaza Co., Ltd.#	PRC	US$5,000,000	100%	Property investment
Xiamen Linzi Construction Development Co., Ltd.#	PRC	US$5,000,000	100%	Property investment
沿海綠色家園發展(瀋陽)有限公司#	PRC	US$10,000,000	100%	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) 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$100,000,000,000,000 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
^ contractual joint venture
* acquired during the year

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2004.