

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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 RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Hong Kong Interpretation 3 “Revenue – Pre-completion Contracts for the Sale of Development Properties” (“HK Int-3”) is applicable to pre-completion contracts for the sale of development properties entered into on or after 1 January 2005. The Group has early applied HK Int-3 to pre-completion contracts entered into on or after 1 April 2004, as further detailed in the accounting policy headed “Properties under development and properties under development for sale” in note 3 below. This change in accounting policy has resulted in a decrease in the Group’s consolidated net profit attributable to shareholders for the year ended 31 March 2005 by approximately HK\$31 million.

HKFRS 3 “Business combinations” applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combinations with agreement date on or after 1 January 2005 and accordingly, this HKFRS has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, certain fixed assets and short term investment, as further explained below.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. 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.

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group 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 Group 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.

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

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.

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.

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

Goodwill *(Continued)*

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.

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 and its net selling price.

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

Impairment of assets *(Continued)*

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.

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.

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

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 are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges. The Group has early applied HK Int-3 to pre-completion contracts for the sale of development properties entered into on or after 1 April 2004, as further detailed below.

Properties under development which have been pre-sold prior to 1 April 2004 are stated at cost plus attributable profits less sale deposits/instalments received and receivable and any foreseeable losses. 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 prior 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 under development, which have been pre-sold from 1 April 2004 onwards, are stated at cost less any impairment losses. Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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

Short term investment

Short term investment is investment in equity security which is acquired and held exclusively with a view to its subsequent disposal in the near future and is stated at its estimated fair value at the balance sheet date. The estimated fair value of the investment is determined by the directors having regard to the valuation of the underlying assets. The gains or losses from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

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
- 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.

NOTES TO FINANCIAL STATEMENTS

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

Income tax *(Continued)*

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.

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 completed properties, when the legally binding unconditional sale contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, 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.

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

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.

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.

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

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.

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 (2004: Nil).

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

| | Property development | | Property investment | | Property management | | Corporate and others | | Consolidated | |
|--|----------------------|----------|---------------------|----------|---------------------|----------|----------------------|----------|--------------|----------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 524,988 | 810,786 | 24,836 | 27,589 | 3,090 | 3,098 | - | - | 552,914 | 841,473 |
| Segment results | 112,065 | 120,768 | 67,589 | 13,574 | (3,427) | 2,664 | (6,312) | (9,662) | 169,915 | 127,344 |
| Interest income | | | | | | | | | 180 | 223 |
| Profit from operating activities | | | | | | | | | 170,095 | 127,567 |
| Finance costs | | | | | | | | | (19,716) | (13,196) |
| Share of profits and losses of: | | | | | | | | | | |
| Jointly-controlled entities | (2,993) | (18,011) | - | - | - | - | - | - | (2,993) | (18,011) |
| An associate | (433) | (3,913) | - | - | - | - | - | - | (433) | (3,913) |
| Amortisation of goodwill on acquisition of an associate | (162) | (1,041) | - | - | - | - | - | - | (162) | (1,041) |
| Profit before tax | | | | | | | | | 146,791 | 91,406 |
| Tax | | | | | | | | | (43,661) | (41,910) |
| Profit before minority interests | | | | | | | | | 103,130 | 49,496 |
| Minority interests | | | | | | | | | 1,192 | 2,851 |
| Net profit from ordinary activities attributable to shareholders | | | | | | | | | 104,322 | 52,347 |

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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 | |
|--|----------------------|-----------|---------------------|----------|---------------------|----------|----------------------|----------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment assets | 3,105,187 | 2,393,887 | 521,446 | 452,981 | 13,295 | 11,657 | 8,195 | 42,469 | 3,648,123 | 2,900,994 |
| Interests in | | | | | | | | | | |
| jointly-controlled entities | 207,855 | 80,813 | - | - | - | - | - | - | 207,855 | 80,813 |
| Interest in an associate | - | 20,309 | - | - | - | - | - | - | - | 20,309 |
| Unallocated assets | | | | | | | | | 19,240 | 19,240 |
| Bank overdraft included in segments assets | - | - | - | - | - | - | 8,756 | 9,153 | 8,756 | 9,153 |
| Total assets | | | | | | | | | 3,883,974 | 3,030,509 |
| Segment liabilities | 310,002 | 300,849 | 175,068 | 67,471 | 5,672 | 5,710 | 8,010 | 4,840 | 498,752 | 378,870 |
| Unallocated liabilities | | | | | | | | | 1,995,304 | 1,327,032 |
| Bank overdraft included in segments assets | - | - | - | - | - | - | 8,756 | 9,153 | 8,756 | 9,153 |
| Total liabilities | | | | | | | | | 2,502,812 | 1,715,055 |
| Other segment information: | | | | | | | | | | |
| Depreciation | 1,978 | 1,742 | 5,983 | 3,995 | 509 | 260 | 589 | 728 | 9,059 | 6,725 |
| Revaluation surplus on leasehold land and buildings | - | - | - | - | - | - | 1,440 | 410 | 1,440 | 410 |
| Amortisation of goodwill | 1,875 | 4,292 | - | - | - | - | - | - | 1,875 | 4,292 |
| Provision for impairment of properties under development | - | 3,668 | - | - | - | - | - | - | - | 3,668 |
| Provision for prepayment | 14,000 | - | - | - | - | - | - | - | 14,000 | - |
| Loss on disposal of fixed assets | 90 | 93 | - | - | - | - | 576 | - | 666 | 93 |
| Gain on disposal of investment properties | - | - | 53,903 | - | - | - | - | - | 53,903 | - |
| Reversal of business tax provision | - | - | 10,655 | - | - | - | - | - | 10,655 | - |
| Waiver of loan and interest payables | 13,685 | - | - | - | - | - | - | - | 13,685 | - |
| Gain on disposal of subsidiaries | 47,966 | - | - | - | - | - | - | - | 47,966 | - |
| Capital expenditure | 2,383 | 2,275 | 6,997 | 3,195 | 49 | 767 | 1,465 | 462 | 10,894 | 6,699 |

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 | |
|---|-----------|----------|----------------|-----------|----------------------|----------|--------------|-----------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | - | - | 552,914 | 841,322 | - | 151 | 552,914 | 841,473 |
| Other segment information: | | | | | | | | |
| Segment assets | 339 | 723 | 3,876,427 | 3,022,566 | (1,548) | (1,933) | 3,875,218 | 3,021,356 |
| Bank overdraft included in segment assets | - | - | - | - | 8,756 | 9,153 | 8,756 | 9,153 |
| | | | | | | | 3,883,974 | 3,030,509 |
| Capital expenditure | - | - | 9,429 | 6,237 | 1,465 | 462 | 10,894 | 6,699 |

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 for pre-completion contracts entered into prior to 1 April 2004, together with gross rental income and property management income.

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

| | Group | |
|----------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Sale of properties | 524,988 | 810,786 |
| Gross rental income | 24,836 | 27,589 |
| Property management income | 3,090 | 3,098 |
| | 552,914 | 841,473 |

NOTES TO FINANCIAL STATEMENTS

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES

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

| | Notes | Group | |
|---|-------|------------------|------------------|
| | | 2005 HK\$'000 | 2004 HK\$'000 |
| Cost of properties for sale sold | | 405,086 | 632,530 |
| Depreciation | 14 | 9,532 | 7,679 |
| Less: Amounts capitalised in properties under development | | (473) | (954) |
| | | 9,059 | 6,725 |
| Minimum lease payments under operating leases for land and buildings | | 2,743 | 2,330 |
| Less: Amounts capitalised in properties under development | | (1,731) | (811) |
| | | 1,012 | 1,519 |
| Auditors' remuneration | | 1,200 | 960 |
| Staff costs (including directors' remuneration – note 8) | | 28,328 | 25,493 |
| Pension scheme contributions | | 2,198 | 97 |
| Less: Amounts capitalised in properties under development | | (10,656) | (7,173) |
| | | 19,870 | 18,417 |

NOTES TO FINANCIAL STATEMENTS

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES (Continued)

| | Notes | Group | |
|--|-------|------------------|------------------|
| | | 2005 HK\$'000 | 2004 HK\$'000 |
| Provision for long service payments | 31 | 57 | 175 |
| Provision for impairment of properties under development* | 15 | – | 3,668 |
| Provision for prepayment* | | 14,000 | – |
| Loss on disposal of fixed assets (excluding investment properties) | | 666 | 93 |
| Gain on disposal of investment properties# | | (53,903) | – |
| Revaluation surplus on leasehold land and buildings | 14 | (1,440) | (410) |
| Amortisation of goodwill* | 17 | 1,875 | 4,292 |
| Interest income | | (180) | (223) |
| Exchange losses, net | | 484 | 1,509 |
| Gross rental income | | (24,836) | (27,589) |
| Less: Outgoings | | 8,409 | 7,372 |
| Net rental income | | (16,427) | (20,217) |
| Reversal of business tax provision# | | (10,655) | – |
| Waiver of loan and interest payables# | | (13,685) | – |
| Gain on disposal of subsidiaries# | 35(c) | (47,966) | – |

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

Included in "Other revenue and gains" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

| | Group | |
|---|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Interest on bank loans, overdrafts and other loans wholly repayable within five years | 76,387 | 35,008 |
| Interest on other loans | 1,581 | 572 |
| | 77,968 | 35,580 |
| Less: Amounts capitalised in properties under development | (58,252) | (22,384) |
| | 19,716 | 13,196 |

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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 | |
|---|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Fees: | | |
| Executive directors | – | – |
| Non-executive directors | 10 | 10 |
| Independent non-executive directors | 150 | 100 |
| Executive directors' other emoluments: | | |
| Basic salaries and bonuses | 5,146 | 4,707 |
| Pension scheme contributions | 60 | 60 |
| Housing benefits, other allowances and benefits in kind | 859 | 869 |
| | 6,225 | 5,746 |

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

| | Number of directors | |
|-------------------------------|---------------------|----------|
| | 2005 | 2004 |
| Nil – HK\$1,000,000 | 6 | 5 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | 2 |
| HK\$1,500,001 – HK\$2,000,000 | 2 | 1 |
| | 9 | 8 |

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$50,000 (2004: 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 (2004: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2004: one) non-director, highest paid individual for the year fell within the band of Nil – HK\$1,000,000, details of which are as follows:

| | Group | |
|------------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Basic salaries and bonuses | 602 | 883 |
| Pension scheme contributions | 12 | 12 |
| | 614 | 895 |

10. TAX

| | Group | |
|-------------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Group: | | |
| Current – Elsewhere | | |
| Charge for the year | 69,157 | 20,940 |
| Deferred tax (note 30) | (25,496) | 20,970 |
| Total tax charge for the year | 43,661 | 41,910 |

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

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 reductions and preferential tax rates.

As set out in a tax notice issued by the local tax bureau of a city in the PRC, the local tax authorities in that city have begun to collect the land appreciation tax ("LAT") based on 1% of the proceeds of the sale and pre-sale of the Group's properties in that city in 2004. Except for the amount paid and accrued in respect of the sales and pre-sales of the Group's properties in that city up to 31 March 2005, no further provision for the LAT has been made. The directors of the Company consider, based on current practices, it is unlikely that the relevant tax authorities will impose additional LAT levies, other than the amount already paid or accrued, which would otherwise amount to approximately HK\$29 million attributable to the Group after netting off potential income tax savings.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

10. TAX (Continued)

In the prior year, no provision for 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 the jointly controlled entity had not been required by the relevant authorities to pay LAT and the directors of the Company consider that it is unlikely that the tax authorities will demand payment of LAT, estimated to be approximately HK\$14 million.

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 – 2005

| | Hong Kong | | Mainland China | | Total | |
|--|-----------|--------|----------------|-------|----------|--------|
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Profit before tax | 24,618 | | 122,173 | | 146,791 | |
| Tax at the statutory tax rate | 4,308 | 17.5 | 40,317 | 33.0 | 44,625 | 30.4 |
| Tax effect of tax losses not recognised | 4,411 | 17.9 | 12,705 | 10.4 | 17,116 | 11.7 |
| Lower tax rate for specific provinces or local authority | – | – | (2,531) | (2.1) | (2,531) | (1.7) |
| Income not subject to tax | (8,719) | (35.4) | (8,032) | (6.6) | (16,751) | (11.4) |
| Expenses not deductible for tax | – | – | 4,620 | 3.8 | 4,620 | 3.1 |
| Tax losses from previous periods utilised | – | – | (3,418) | (2.8) | (3,418) | (2.3) |
| Tax charge at the Group's effective rate | – | – | 43,661 | 35.7 | 43,661 | 29.8 |

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 |

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\$18,079,000 (2004: HK\$383,546,000) (note 34).

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\$104,322,000 (2004: HK\$52,347,000) and the 2,024,000,000 (2004: weighted average of 1,796,602,740) 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 2005 and 2004, the outstanding share options have no dilution effect on the basic earnings per share for the years ended 31 March 2005 and 2004.

13. INTERESTS IN SUBSIDIARIES

| | Company | |
|--------------------------------|--------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Unlisted shares, at cost | 2,465,383 | 2,551,248 |
| Amounts due from subsidiaries | 455,548 | 402,268 |
| | 2,920,931 | 2,953,516 |
| Less: Provision for impairment | (1,785,798) | (1,785,798) |
| | 1,135,133 | 1,167,718 |

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 41 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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14. FIXED ASSETS

| Group | Investment properties HK\$'000 | Leasehold land and buildings in Hong Kong HK\$'000 | Long term leasehold land and buildings in the PRC HK\$'000 | Leasehold improvements HK\$'000 | Furniture, fixtures and office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|---|---|------------------------------------|--|----------------------------|-------------------|
| Cost or valuation: | | | | | | | |
| At beginning of year | 401,455 | 3,510 | 11,077 | 21,934 | 11,349 | 9,192 | 458,517 |
| Additions | - | - | - | 6,711 | 2,270 | 1,913 | 10,894 |
| Acquisition of subsidiaries (note 35(b)) | 249,741 | - | - | - | 550 | - | 250,291 |
| Disposal of a subsidiary (note 35(c)) | - | - | - | - | (8) | - | (8) |
| Transfer from properties under development (note 15) | 13,687 | - | - | - | - | - | 13,687 |
| Disposals | (206,699) | - | (75) | (1,841) | (732) | (1,258) | (210,605) |
| Surplus on revaluation | - | 1,370 | - | - | - | - | 1,370 |
| At 31 March 2005 | 458,184 | 4,880 | 11,002 | 26,804 | 13,429 | 9,847 | 524,146 |
| Accumulated depreciation: | | | | | | | |
| At beginning of year | - | - | 1,990 | 12,424 | 6,262 | 3,344 | 24,020 |
| Provided during the year | - | 70 | 379 | 5,241 | 2,102 | 1,740 | 9,532 |
| Disposals | - | - | (41) | (1,091) | (414) | (560) | (2,106) |
| Write back on revaluation | - | (70) | - | - | - | - | (70) |
| At 31 March 2005 | - | - | 2,328 | 16,574 | 7,950 | 4,524 | 31,376 |
| Net book value: | | | | | | | |
| At 31 March 2005 | 458,184 | 4,880 | 8,674 | 10,230 | 5,479 | 5,323 | 492,770 |
| At 31 March 2004 | 401,455 | 3,510 | 9,087 | 9,510 | 5,087 | 5,848 | 434,497 |
| Analysis of cost or valuation: | | | | | | | |
| At cost | - | - | - | 26,804 | 13,429 | 9,847 | 50,080 |
| At valuation | 458,184 | 4,880 | 11,002 | - | - | - | 474,066 |
| | 458,184 | 4,880 | 11,002 | 26,804 | 13,429 | 9,847 | 524,146 |

The leasehold land and buildings in Hong Kong are held under medium term leases as to the amount of approximately HK\$1,180,000 (2004: HK\$990,000) and under long term leases as to the amount of approximately HK\$3,700,000 (2004: HK\$2,520,000).

14. FIXED ASSETS (Continued)

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.

The Group's leasehold land and buildings in Hong Kong were revalued at 31 March 2005 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$4,880,000 on an open market, existing use basis. A revaluation surplus of HK\$1,440,000 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\$8,685,000 (2004: HK\$9,168,000).

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

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--------------------|------------------|------------------|
| Medium term leases | 173,326 | 380,025 |
| Long term leases | 284,858 | 21,430 |
| | 458,184 | 401,455 |

All of the Group's investment properties in the PRC were revalued at 31 March 2005 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$458,184,000 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 37(a) to the financial statements.

Certain investment properties with an aggregate carrying value of HK\$177 million (2004: HK\$395 million) have been pledged to banks to secure banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are set out on pages 87 and 89 of the annual report.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

15. PROPERTIES UNDER DEVELOPMENT

| | Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| At beginning of year | 528,082 | 569,580 |
| Additions | 695,669 | 595,402 |
| Acquisition of a subsidiary (note 35(b)) | 796,000 | – |
| Transfer from properties held for development (note 16) | 1,137,896 | 25,238 |
| Attributable profits | – | 50,565 |
| | 3,157,647 | 1,240,785 |
| Less: Disposal of a subsidiary (note 35(c)) | (69,274) | – |
| Less: Sale deposits and instalments received | (316,716) | (166,946) |
| | 2,771,657 | 1,073,839 |
| Provision for impairment | – | (3,668) |
| | 2,771,657 | 1,070,171 |
| Transfer to completed properties for sale | (296,513) | (542,089) |
| Transfer to investment properties (note 14) | (13,687) | – |
| | 2,461,457 | 528,082 |
| Portion classified as properties under development for sale under current assets | (907,651) | (392,282) |
| Properties under development classified under non-current assets | 1,553,806 | 135,800 |

The properties under development of the Group are situated in the PRC and are held under medium term lease as to the amount of HK\$16 million and are held under long term leases as to the amount of HK\$2,445 million.

Certain properties under development with an aggregate carrying value of HK\$2,263 million (2004: HK\$503 million) have been pledged to banks to secure banking facilities granted to the Group (note 28).

Further particulars of the Group's properties under development are set out on pages 89 and 90 of the annual report.

16. PROPERTIES HELD FOR DEVELOPMENT

| | Group | |
|---|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| At beginning of year | 1,162,752 | 1,183,263 |
| Additions | 10,104 | 10,527 |
| Acquisition of a subsidiary (note 35(b)) | 105,000 | – |
| Transfer to properties under development (note 15) | (1,137,896) | (25,238) |
| Revaluation reserve eliminated upon reclassification to properties under development (note 34) | (17,863) | (5,800) |
| Refund of land cost | (13,720) | – |
| At 31 March | 108,377 | 1,162,752 |

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

The properties as at 31 March 2004 included certain properties held for development amounting to approximately HK\$637 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 29 to the financial statements.

Certain properties held for development as at 31 March 2004 with a carrying value of HK\$471 million were pledged to a bank to secure banking facilities granted to the Group (note 28).

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

17. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

| | Group | |
|--|----------------------|----------------------------------|
| | Goodwill HK\$'000 | Negative goodwill HK\$'000 |
| Cost: | | |
| At beginning of year | 26,049 | – |
| Acquisition of subsidiaries (note 35(b)) | – | (119,706) |
| Disposal of subsidiaries (note 35(c)) | (15,842) | – |
| At 31 March 2005 | 10,207 | (119,706) |
| Accumulated amortisation: | | |
| At beginning of year | 4,292 | – |
| Provided during the year | 1,875 | – |
| Disposal of subsidiaries (note 35(c)) | (4,513) | – |
| At 31 March 2005 | 1,654 | – |
| Net book value: | | |
| At 31 March 2005 | 8,553 | (119,706) |
| At 31 March 2004 | 21,757 | – |

The negative goodwill arising from the acquisition of subsidiaries during the year ended 31 March 2005 represents the excess of the Group's share of the fair values of the identifiable assets, which principally are land properties, and liabilities of the subsidiaries acquired as at the date of acquisition, over the cost of the acquisition.

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 2005, 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 2005 | 9,852 |

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

| | Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Share of net assets | 320,030 | 98,478 |
| Goodwill on acquisition | 57,694 | – |
| Amounts due from jointly-controlled entities | 205 | 8,408 |
| Amounts due to jointly-controlled entities | (170,074) | (26,073) |
| | 207,855 | 80,813 |

Except for an amount of approximately HK\$139,405,000 which bears interest at 10% per annum and is repayable within one year, 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 | | | Principal activities |
|---|--------------------|-----------------------|-----------------------|--------------|----------------|----------------------|
| | | | Ownership interest | Voting power | Profit sharing | |
| Beijing Gaosheng Real Estate Company Limited** | Corporate | PRC | 49.75 | 49.75 | 49.75 | Property development |
| 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 |
| Tianjin Coastal Greenland Real Estate Co., Ltd.* | Corporate | PRC | 70 | 60 | 70 | Dormant |
| Tangshan New Island Tourism Development Company Limited** | Corporate | PRC | 45 | 25 | 45 | Property development |

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

Acquired during the year.

Disposed of during the year.

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31 March 2005

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

The movement of the goodwill arising from the acquisition of the jointly-controlled entity is as follows:

| | HK\$'000 |
|---|---------------|
| Cost: | |
| Acquisition of the jointly controlled entity during the year and at 31 March 2005 | 57,694 |
| Accumulated amortisation: | |
| Provided during the year and at 31 March 2005 | – |
| Net book value: | |
| At 31 March 2005 | 57,694 |

19. INTEREST IN AN ASSOCIATE

| | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 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 was unsecured, interest-free and had no fixed terms of repayment.

19. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate, which was disposed of during the year, are as follows:

| Name | Business structure | Place of incorporation/ registration and operations | Percentage of ownership interest attributable to the Group | | Principal activity |
|-----------------------|--------------------|---|--|------|--------------------|
| | | | 2005 | 2004 | |
| Unicorn Power Limited | Corporate | Hong Kong | - | 20 | Investment holding |

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

| | HK\$'000 |
|---------------------------|----------|
| Cost: | |
| At beginning of year | 4,224 |
| Disposal of an associate | (4,244) |
| At 31 March 2005 | - |
| Accumulated amortisation: | |
| At beginning of year | 1,041 |
| Provided during the year | 162 |
| Disposal of an associate | (1,203) |
| At 31 March 2005 | - |
| Net book value: | |
| At 31 March 2005 | - |
| At 31 March 2004 | 3,183 |

NOTES TO FINANCIAL STATEMENTS

31 March 2005

20. LONG TERM INVESTMENTS

| | Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Club membership debenture, at cost | 560 | 560 |
| Unlisted equity investment, at carrying amount | 18,680 | 18,680 |
| | 19,240 | 19,240 |

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. PREPAYMENTS

The balance included a prepayment of approximately HK\$24 million for the acquisition of the 35% additional interest in Shenzhen Coastal Property Investment Limited, a 65% owned subsidiary of the Company, and a prepayment of approximately HK\$14 million, net of provision, for the acquisition of a parcel of land for a property project in Shenyang City, Liaoning Province, the PRC.

23. COMPLETED PROPERTIES FOR SALE

The carrying amount of completed properties for sale carried at net realisable value is HK\$95,042,000 (2004: HK\$99,740,000).

Certain completed properties for sale with an aggregate carrying value of HK\$59 million (2004: HK\$69 million) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 28).

Further particulars of the Group's completed properties for sale are set out on pages 87 to 89 of the annual report.

24. 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:

| | 2005 | | 2004 | |
|--------------|---------------------|------------|---------------------|------------|
| | Balance HK\$'000 | Percentage | Balance HK\$'000 | Percentage |
| 0 – 30 days | 3,465 | 11 | 2,520 | 6 |
| 31 – 60 days | 637 | 2 | 727 | 2 |
| 61 – 90 days | 2,558 | 9 | 280 | 1 |
| Over 90 days | 23,930 | 78 | 35,106 | 91 |
| | 30,590 | 100 | 38,633 | 100 |

25. SHORT TERM INVESTMENT

Short term investment represents the Group's 100% equity interest in Falcon Link Ltd. ("Falcon"), a company incorporated in the British Virgin Islands with limited liability, whose principal assets are its indirect interests in certain properties situated in the PRC. The Group has not consolidated Falcon into these financial statements as, in the opinion of the directors, the Group's control over Falcon is intended to be temporary because Falcon is acquired and held exclusively with a view to its subsequent disposal in the near future.

26. DUE TO THE ULTIMATE HOLDING COMPANY

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

27. TRADE PAYABLES

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

| | 2005 | | 2004 | |
|--------------|---------------------|------------|---------------------|------------|
| | Balance HK\$'000 | Percentage | Balance HK\$'000 | Percentage |
| 0 – 30 days | 8,152 | 8 | 397 | 0.4 |
| 31 – 60 days | 131 | – | – | – |
| 61 – 90 days | 5,124 | 5 | – | – |
| Over 90 days | 90,733 | 87 | 112,282 | 99.6 |
| | 104,140 | 100 | 112,679 | 100 |

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Group | |
|--|------------------|-----------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Bank overdraft: | | |
| Secured | – | – |
| Unsecured | 8,756 | 9,153 |
| | 8,756 | 9,153 |
| Bank loans: | | |
| Secured | 654,548 | 661,428 |
| Unsecured | 29,538 | 29,372 |
| | 684,086 | 690,800 |
| Other loans: | | |
| Secured | 54,324 | 34,068 |
| Unsecured | 494,822 | 49,258 |
| | 549,146 | 83,326 |
| | 1,241,988 | 783,279 |
| Bank overdrafts repayable within one year or on demand | 8,756 | 9,153 |
| Bank loans repayable: | | |
| Within one year or on demand | 252,580 | 376,966 |
| In the second year | 431,506 | 222,727 |
| In the third to fifth years, inclusive | – | 91,107 |
| | 684,086 | 690,800 |
| Other loans repayable: | | |
| Within one year | 520,876 | 39,164 |
| In the second year | 3,484 | 3,718 |
| In the third to fifth years, inclusive | 10,808 | 12,081 |
| Beyond five years | 13,978 | 28,363 |
| | 549,146 | 83,326 |
| | 1,241,988 | 783,279 |
| Portion classified as current liabilities | (782,212) | (425,283) |
| Non-current portion | 459,776 | 357,996 |

28. 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\$177 million (note 14);
 - (ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$2,263 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\$17 million (note 23); and
 - (iv) 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 the 100% equity interest in Shanghai Xinghongda Real Estate Ltd. ("XHD") (see (i) below) at 31 March 2005. Certain other loans as at 31 March 2004 were 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. ("Shanghai Golden Bridge") (see (ii) below). Both XHD and Shanghai Golden Bridge are wholly-owned subsidiaries of the Company. The other loans bear interest at rates ranging from 5% to 12% per annum.
- (i) In May 2004, Shanghai Golden Bridge and Shanghai Coastal Greenland Real Estate Ltd. ("Shanghai Coastal Greenland"), a wholly-owned subsidiary of the Group, entered into sale and purchase agreements with two PRC vendors (the "PRC Vendors") for the acquisition of 66% and 34% equity interests in XHD, respectively, for a total consideration of approximately HK\$307 million (RMB330 million). The acquisition of the 34% equity interest in XHD by Shanghai Coastal Greenland was completed on 15 September 2004. To finance the acquisition of XHD by the Group and the ongoing project development of XHD after being acquired by the Group, in September 2004, Shanghai Golden Bridge and Shanghai Coastal Greenland entered into various agreements (the "XHD Agreements") with two PRC companies (the "XHD Lenders") for a bridging loan of approximately HK\$411 million (RMB442 million) (the "XHD Transaction").

Under the XHD Agreements, Shanghai Coastal Greenland disposed of its 34% equity interest in XHD to one of the XHD Lenders for a consideration of HK\$104 million (RMB112 million) and the XHD Lenders acquired the aggregate 66% equity interests in XHD directly from the PRC Vendors for an aggregate consideration of HK\$203 million (RMB218 million). In addition, the XHD Lenders advanced a loan of HK\$221 million (RMB238 million) to XHD for financing its working capital. Shanghai Coastal Greenland has both the rights and obligations to repurchase the 100% equity interest in XHD from the XHD Lenders at the original consideration of HK\$307 million (RMB330 million) within 30 days after 10 months from the date of the original transfer of the 100% interest. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of XHD. As at 31 March 2005, the Group has paid a deposit of HK\$117 million (RMB126 million) to the XHD Lenders in respect of the repurchase obligation.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

(b) (i) *(Continued)*

Under the XHD Agreements, the XHD Lenders are entitled to an upfront service fee of HK\$28.3 million (RMB30 million) for a period of 9 months commencing the date of payment of the purchase consideration by the XHD Lenders to the Group. In addition, the XHD Lenders are entitled to a guaranteed profit of HK\$10 million (RMB10 million) from Shanghai Coastal Greenland in return for surrendering the management and operating rights in relation to the 100% equity interest held by the XHD Lenders in XHD. The Group has accounted for the net proceeds of HK\$411 million (RMB442 million) received from the XHD Lenders as other loans and the service fee and guaranteed profit paid and payable to the XHD Lenders as finance costs, respectively, in the current year's financial statements to reflect the commercial substance of the XHD Transaction.

- (ii) During the prior year, in December 2003, Shanghai Ling Zhi Properties Co., Ltd. ("Ling Zhi"), a wholly-owned subsidiary of the Company, entered into various agreements (collectively the "SGB Agreements") with a PRC company (the "SGB Lender") for a bridging loan of approximately HK\$35.7 million (RMB38.4 million) for financing a property project of Shanghai Golden Bridge in the PRC (the "SGB Transaction"). Under the SGB Agreements, Ling Zhi disposed of its 50% equity interest in Shanghai Golden Bridge to the SGB Lender for a consideration of HK\$44.6 million (RMB48 million) and the SGB 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 SGB 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 SGB Lender in respect of the repurchase obligation.

Under the SGB Agreements, the SGB 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 SGB Lender to the Group. In addition, the SGB 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 SGB 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 SGB Lender in respect of its various obligations under the SGB Agreements. The Group has accounted for the net proceeds of HK\$35.7 million (RMB38.4 million) received from the SGB Lender as an other loan and the service fee and guaranteed profit paid and payable to the SGB Lender as finance costs, respectively, in the prior year's financial statements to reflect the commercial substance of the SGB Transaction. In the current year, the Group repurchased the 50% equity interest in Shanghai Golden Bridge from the SGB Lender according to the SGB Agreements.

29. LONG TERM PAYABLES

| | Group | |
|---|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Balance at beginning of year | 41,642 | 111,475 |
| Additions for properties held for development | 18,524 | – |
| Reclassification to trade payables | (51,774) | (72,536) |
| Other additions | 303 | 2,703 |
| At 31 March | 8,695 | 41,642 |

At 31 March 2005, the long term payables mainly represented contract deposits received from the contractors of the property projects. The long term payables as at 31 March 2004 mainly represented 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.

At 31 March 2004, the Group obtained only provisional land use right certificates for certain properties held for development amounting to approximately HK\$637 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.

NOTES TO FINANCIAL STATEMENTS

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30. DEFERRED TAX

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

Deferred tax liabilities

| Group | 2005 | | | |
|--|---|---------------------------------------|--------------------|-------------------|
| | Fair value adjustments arising from acquisition of subsidiaries HK\$'000 | Revaluation of properties HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| At 1 April 2004 | 10,744 | 355,017 | 84,302 | 450,063 |
| Deferred tax credited to the profit and loss account during the year (note 10) | – | – | (25,496) | (25,496) |
| Deferred tax credited to equity during the year | – | (17,519) | – | (17,519) |
| Deferred tax adjusted to negative goodwill (note 35(b)) | 273,746 | – | – | 273,746 |
| Gross deferred tax liabilities at 31 March 2005 | 284,490 | 337,498 | 58,806 | 680,794 |
| 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 | 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 charged 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 |

The Group has tax losses arising in Hong Kong of HK\$64,565,000 (2004: HK\$60,488,000) 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 2005, there was no significant unrecognised deferred tax liability (2004: 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.

31. PROVISION FOR LONG SERVICE PAYMENTS

| | Group | | Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| Balance at beginning of year | 1,833 | 1,658 | 909 | 835 |
| Provision for the year | 57 | 175 | 76 | 74 |
| At end of year | 1,890 | 1,833 | 985 | 909 |

32. SHARE CAPITAL

Shares

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Authorised: 3,000,000,000 (2004: 3,000,000,000) ordinary shares of HK\$0.10 each | 300,000 | 300,000 |
| Issued and fully paid: 2,024,000,000 (2004: 2,024,000,000) ordinary shares of HK\$0.10 each | 202,400 | 202,400 |

During the prior 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.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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33. 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;

33. 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 2005, 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).

NOTES TO FINANCIAL STATEMENTS

31 March 2005

33. 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 quotation 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.

33. 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 | | | | | Date of grant of share options ⁽¹⁾ | Exercise period of share options ⁽³⁾ | Exercise price of share options ⁽²⁾ HK\$ |
|---------------------------------|-------------------------|-------------------------|---------------------------|------------------------|------------------|---|---|--|
| | At 1 April 2004 | Granted during the year | Exercised during the year | Lapsed during the year | At 31 March 2005 | | | |
| 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).

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34. RESERVES

| Group | Share | Contributed surplus | Capital reserve | Land and | Investment | Properties | Exchange fluctuation reserve | Retained profits | PRC | Total |
|---|-----------------|---------------------|-----------------|---------------------|------------------------------|--|------------------------------|------------------|---------------|------------------|
| | premium account | | | revaluation reserve | property revaluation reserve | held for development revaluation reserve | | | reserve funds | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | (Note) | HK\$'000 |
| At 1 April 2003 | 310,980 | 131,803 | 10,781 | 4,863 | 43,966 | 18,931 | (472) | 463,037 | 3,707 | 987,596 |
| Issued 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 and 1 April 2004 | 330,080 | 131,803 | 10,781 | 4,863 | 54,551 | 13,362 | (472) | 513,018 | 6,073 | 1,064,059 |
| Revaluation reserve eliminated upon transfer of properties held for development to properties under development | - | - | - | - | - | (13,362) | - | - | - | (13,362) |
| Revaluation reserve released on disposal of investment properties | - | - | - | - | (35,572) | - | - | - | - | (35,572) |
| Net profit for the year | - | - | - | - | - | - | - | 104,322 | - | 104,322 |
| Transfer | - | - | - | - | - | - | - | (3,624) | 3,624 | - |
| At 31 March 2005 | 330,080 | 131,803 | 10,781 | 4,863 | 18,979 | - | (472) | 613,716 | 9,697 | 1,119,447 |
| Reserves retained by: | | | | | | | | | | |
| Company and subsidiaries | 330,080 | 131,803 | 10,781 | 4,863 | 18,979 | - | (472) | 616,709 | 9,697 | 1,122,440 |
| Jointly-controlled entities | - | - | - | - | - | - | - | (2,993) | - | (2,993) |
| 31 March 2005 | 330,080 | 131,803 | 10,781 | 4,863 | 18,979 | - | (472) | 613,716 | 9,697 | 1,119,447 |
| 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 |

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.

34. RESERVES (Continued)

| Company | Share premium account HK\$'000 | Contributed surplus HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|---|------------------------------------|-----------------------------------|-------------------|
| At 1 April 2003 | 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 and beginning of year | 330,080 | 2,409,483 | (1,751,158) | 988,405 |
| Net loss for the year | – | – | (18,079) | (18,079) |
| At 31 March 2005 | 330,080 | 2,409,483 | (1,769,237) | 970,326 |

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.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Major non-cash transactions**

- (i) During the prior 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 39(d) to the financial statements.
- (ii) During the prior 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 subsidiary incorporated in Hong Kong. The acquisition was not completed as at the prior year's balance sheet date.

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

(b) Acquisition of subsidiaries

| | Notes | 2005 HK\$'000 | 2004 HK\$'000 |
|---|-------|------------------|------------------|
| Net assets acquired: | | | |
| Fixed assets | 14 | 250,291 | – |
| Properties held for development | 16 | 105,000 | – |
| Properties under development | 15 | 796,000 | – |
| Share of net assets in a jointly controlled entity | | – | 90,224 |
| Due from a jointly controlled entity | | – | 4,450 |
| Trade receivables | | 624 | – |
| Other receivables | | 161 | – |
| Cash and bank balances | | 2,351 | – |
| Bank loans | | (193,652) | – |
| Trade payables | | (12,210) | – |
| Other payables and accruals | | (94,846) | – |
| Tax payable | | (10,315) | – |
| Deferred tax | 30 | (273,746) | – |
| Due to a minority shareholder | | – | (1,774) |
| Minority interests | | (26,249) | (14,005) |
| | | 543,409 | 78,895 |
| Goodwill/(negative goodwill) on acquisition | 17 | (119,706) | 15,842 |
| | | 423,703 | 94,737 |
| Satisfied by: | | | |
| Cash | | 67,336 | – |
| Prepayments | | 30,966 | – |
| Other loans | | 306,507 | – |
| Other payables | | 18,894 | – |
| Issue of shares | | – | 94,737 |
| | | 423,703 | 94,737 |

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Cash consideration | (67,336) | – |
| Cash and bank balances acquired | 2,351 | – |
| Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries | (64,985) | – |

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries (Continued)

During the year, the Group acquired a 100% interest in Shanghai Xinghongda Real Estate Ltd. in September 2004 for HK\$306.5 million, a 90% interest in Chengdu Dingyuan Real Estate Ltd. in June 2004 for HK\$26.6 million and a 100% interest in Joinwell Investment Limited in September 2004 for HK\$90.6 million. The principal assets of these subsidiaries are their direct/indirect interests in certain properties under development, properties held for development and investment properties, respectively. The purchase consideration for the acquisitions was in the form of cash which was paid during the year.

The subsidiaries acquired in the current year had no significant impact on the Group's consolidated turnover or profit after tax and before minority interests for the year.

The subsidiaries acquired in the prior 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 that year.

(c) Disposal of subsidiaries

| | Notes | 2005 HK\$'000 | 2004 HK\$'000 |
|--|-------|------------------|------------------|
| Net assets disposed of: | | | |
| Fixed assets | 14 | 8 | — |
| Goodwill | 17 | 11,329 | — |
| Properties under development | 15 | 69,274 | — |
| Share of net assets in a jointly controlled entity | | 70,728 | — |
| Due from a jointly controlled entity | | 4,829 | — |
| Cash and bank balances | | 9,293 | — |
| Bank loan | | (37,894) | — |
| Trade payables | | (10,269) | — |
| Other payables and accruals | | (2) | — |
| Due to a minority shareholder | | (1,455) | — |
| Minority interests | | (10,753) | — |
| | | 105,088 | — |
| Gain on disposal of subsidiaries | 6 | 47,966 | — |
| | | 153,054 | — |
| Satisfied by: | | | |
| Cash | | 110,486 | — |
| Other receivables | | 42,568 | — |
| | | 153,054 | — |

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(c) Disposal of subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Cash consideration | 110,486 | – |
| Cash and bank balances disposed of | (9,293) | – |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 101,193 | – |

The results of the subsidiary disposed of in the year ended 31 March 2005 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

36. CONTINGENT LIABILITIES

At 31 March 2005, the Group had given guarantees to the extent of approximately HK\$584,846,000 (2004: HK\$339,921,000) 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, and in respect of certain borrowings of a jointly controlled entity.

At 31 March 2005, the Company had given guarantees to the extent of approximately HK\$528,784,000 (2004: HK\$61,759,000) to banks and third parties for credit facilities granted to its subsidiaries and a jointly controlled entity.

37. 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 terms ranging from 1 month to over 5 years. 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 | |
|---|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Within one year | 23,773 | 22,575 |
| In the second to fifth years, inclusive | 55,846 | 22,570 |
| After five years | – | 428 |
| | 79,619 | 45,573 |

37. 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 terms ranging from 1 to over 5 years.

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| Within one year | 3,676 | 1,736 | 1,228 | — |
| In the second to fifth years, inclusive | 2,926 | 1,242 | 1,433 | — |
| After five years | — | 901 | — | — |
| | 6,602 | 3,879 | 2,661 | — |

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group and the Company had the following capital commitments at the balance sheet date:

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| Property development expenditure: | | | | |
| Contracted, but not provided for | 516,524 | 278,930 | — | — |
| Authorised, but not contracted for | 83,463 | 750,032 | — | — |
| | 599,987 | 1,028,962 | — | — |
| Acquisition of investments | — | 377,323 | — | — |
| Acquisition of additional interest in subsidiary | 24,164 | — | — | — |
| Capital contribution payable to a jointly controlled entity | — | 17,752 | — | — |
| Capital contribution payable to an investment | 10,919 | — | 10,919 | — |
| | 635,070 | 1,424,087 | 10,919 | — |

At 31 March 2005, the Group's share of capital commitment in respect of jointly controlled entities was HK\$160 million (2004: Nil).

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39. 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) In the prior 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 2005, 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 (2004: HK\$41.9 million) (note 23) and HK\$31.1 million (2004: HK\$34.1 million) (note 28), respectively.
- (b) During the year, the Group executed corporate guarantees amounting to approximately HK\$368 million for certain borrowings of a jointly controlled entity.
- (c) In the current year, the Group incurred interest expense of approximately HK\$3,485,000 in relation to an advance of approximately HK\$139 million, which is unsecured, interest bearing at 10% per annum and repayable within one year, from a jointly controlled entity.
- (d) During the prior year, 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, with 789,473,684 new shares and 210,526,316 new shares attributable to Carry and China Max, and Unicorn, respectively. The Acquisitions were completed in June 2003.

39. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) Included in prepayments, deposits and other receivables in the Group's consolidated balance sheet and in prepayments and other receivables in the Company's balance sheet as at 31 March 2005 is a receivable of approximately HK\$35.2 million (RMB38 million) due from an independent third party representing the balance consideration in relation to the disposal of the Group's interests in Tangshan New Island Tourism Development Company Limited. The receivable is originally due for settlement on 15 March 2005 but the repayment date is extended to 15 August 2005 pursuant to a supplemental agreement dated 15 March 2005. In July 2005, CIH undertook to indemnify the Group in respect of any loss in connection with the receivable. On this basis, the directors of the Company consider that no provision is required for the receivable.

40. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 7 July 2005, the Company entered into a conditional subscription agreement (the "Subscription Agreement") with Mellon HBV Alternative Strategies LLC, a company incorporated in the United States of America with limited liability and an independent third party of the Group, in relation to the issue and subscription of (i) 9% senior notes with a principal amount of approximately HK\$136.5 million (US\$17.5 million) due 2008 (the "Senior Notes"); (ii) 9% senior notes with a principal amount of up to approximately HK\$234 million (US\$30 million) (the "Additional Notes") on a best effort basis; and (iii) convertible bonds with a principal amount of approximately HK\$48.75 million (US\$6.25 million) due 2005 ("Tranche 1 Convertible Bonds") and convertible bonds with a principal amount of approximately HK\$48.75 million (US\$6.25 million) due 2006 ("Tranche 2 Convertible Bonds") (collectively the "Convertible Bonds"). The completion for the subscription of the Senior Notes and the Convertible Bonds (the "First Completion") will take place not later than the date falling five weeks after the signing of the Subscription Agreement, after all the relevant conditions of the Subscription Agreement have been satisfied or waived. The completion for the subscription of the Additional Notes will take place not later than three months after the First Completion Date, after all the relevant conditions of the Subscription Agreement have been satisfied or waived.

The Senior Notes, the Additional Notes and the Convertible Bonds are secured by a first charge of all the right, title and interests of Coastal Realty (BVI) Limited in Coastal Realty Development Co. Limited. Both Coastal Realty (BVI) Limited and Coastal Realty Development Co. Limited are wholly-owned subsidiaries of the Company.

The Senior Notes and the Additional notes shall bear interest at the rate of 9% per annum payable half-yearly in arrears, and unless previously redeemed or purchased and cancelled, the Senior Notes and the Additional Notes will mature on the date which falls three years after the First Completion Date.

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40. POST BALANCE SHEET EVENTS (Continued)

The Convertible Bonds are convertible into ordinary shares in the Company at a conversion price of HK\$0.30 per share for the Tranche 1 Convertible Bonds and HK\$0.50 per share for the Tranche 2 Convertible Bonds, subject to adjustment upon the occurrence of certain events as set out in the Subscription Agreement. The conversion period shall end until the close of business on 16 December 2005 for Tranche 1 Convertible Bonds or 16 December 2006 for Tranche 2 Convertible Bonds unless being extended in accordance with the Subscription Agreement. The Convertible Bonds shall bear interest at the rate of LIBOR plus 1.5% per annum and is payable half-yearly in arrears. Unless previously converted or exchanged or unless the maturity of the Convertible Bonds is extended, the Company will redeem all of the Convertible Bonds by paying 100% of their principal amount to the holder(s) of the Convertible Bonds on 31 December 2005 in the case of the Tranche 1 Convertible Bonds, and 31 December 2006, in the case of the Tranche 2 Convertible Bonds.

Assuming the Senior Notes and the Convertible Notes are issued upon the First Completion and all the Additional Notes are subscribed, the aggregate net proceeds after deducting the relevant expenses from the issue of the Senior Notes, the Additional Notes and the Convertible Bonds will be approximately HK\$461.8 million (US\$59.2 million). The Company plans to use the whole amount of the net proceeds in the development of the Group's property project in Xingqiao, Songjiang District, Shanghai, the PRC, which comprises mainly residential properties with ancillary facilities.

Further details of the issue of the Senior Notes, the Additional Notes and the Convertible Bonds are set out in the Company's announcement dated 12 July 2005.

41. 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 (Note (i)) | Percentage of equity attributable to the Group | Principal activities |
|---|---|--|---|-------------------------|
| Directly held subsidiaries: | | | | |
| Coastal Realty (BVI) Limited | British Virgin Islands/ Hong Kong | US\$200 Ordinary | 100 | Investment holding |
| Shenzhen Coastal Property Investment Limited ^ | PRC | US\$11,000,000 | 65 | Property development |
| Carry Investment Limited ** | Hong Kong | HK\$100 Ordinary | 100 | Investment holding |
| China Max Development Limited ** | Hong Kong | HK\$100 Ordinary | 70 | Investment holding |

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital (Note (i)) | Percentage of equity attributable to the Group | Principal activities |
|--|---|--|---|-------------------------|
| 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 |
| 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\$1,400,000 | 100 | Property management |

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41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital (Note (i)) | Percentage of equity attributable to the Group | Principal activities |
|--|---|--|---|-------------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| 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 |
| 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 |

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registration and operations | Nominal value of issued share capital/ registered capital (Note (i)) | Percentage of equity attributable to the Group | Principal activities |
|--|---|--|---|-------------------------|
| Indirectly held subsidiaries (Continued): | | | | |
| Shanghai Ling Zhi Properties Co., Ltd. [^] | PRC | US\$25,000,000 | 100 | Property investment |
| 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 Ordinary | HK\$2 | 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 |
| Coastal Greenland Development (Shenyang) Ltd. [#] | PRC | US\$10,000,000 | 100 | Property development |
| Shanghai Xinhongda Real Estate Ltd. ^{**} | PRC | RMB248,292,951 | 100 | Property development |
| Chengdu Dingyuan Real Estate Ltd. ^{**} | PRC | RMB10,000,000 | 90 | Property development |
| Joinwell Investment Limited * | Hong Kong | HK\$2 Ordinary | 100 | Investment holding |

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

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 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 (note 35(b))
** disposed of during the year (note 35(c))

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.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2005.