

03-04

ANNUAL REPORT



CGL
沿海綠色家園

沿海綠色家園有限公司
COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

The Foundation
of Tomorrow



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COMPANY WEBSITE

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EXECUTIVE DIRECTORS

Mr. CHAN Boon Teong (*Chairman*)
Mr. JIANG Ming
(*Vice Chairman & Managing Director*)
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin

NON-EXECUTIVE DIRECTOR

Mr. ZHENG Hong Qing

**INDEPENDENT NON-EXECUTIVE
DIRECTORS**

Mr. TANG Lap Yan
Mr. LAW Kin Ho

COMPANY SECRETARY

Mr. CHENG Wing Bor FCCA, AHKSA

AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

1124

CGL SHAREHOLDING STRUCTURE AND MAJOR OPERATIONS



The following is a summary of the published consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years as extracted from the audited financial statements and adjusted retrospectively for the effect of the impact of Statement of Standard Accounting Practice 12 (Revised): "Income taxes".

RESULTS

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Turnover	841,473	610,774	201,996	355,562	369,665
Profit/(loss) before tax	91,406	24,558	(494,121)	(92,737)	17,793
Net profit/(loss) from ordinary activities attributable to shareholders	52,347	4,174	(543,597)	(90,319)	1,384
Dividends	—	—	—	—	—

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Total assets	3,030,509	2,650,967	2,590,632	2,952,729	3,289,360
Total liabilities	(1,715,055)	(1,552,289)	(1,498,035)	(1,510,242)	(1,530,704)
Minority interests	(48,995)	(8,682)	(6,775)	(4,154)	(11,007)
Net assets	1,266,459	1,089,996	1,085,822	1,438,333	1,747,649

	Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Turnover by activity		
• Sale of properties	810,786	579,528
• Rental income	27,589	29,681
• Property management	3,098	1,565
Total	841,473	610,774

	Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Profit/(loss) before tax by activity		
• Sale of properties	120,768	56,143
• Rental income	13,574	18,421
• Property management	2,664	(5,508)
• Corporate and others	(9,662)	(30,680)
	127,344	38,376
Interest income	223	227
Profit from operating activities	127,567	38,603
Finance costs	(13,196)	(14,037)
Share of profits and losses of:		
Jointly-controlled entities	(18,011)	(8)
Associate	(3,913)	–
Amortisation of goodwill on acquisition of an associate	(1,041)	–
Profit before tax	91,406	24,558



Mr. CHAN Boon Teong
Chairman

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

RESULTS

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

DIVIDENDS

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

BUSINESS REVIEW

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

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

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

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

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

OUTLOOK

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

APPRECIATION

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

Chan Boon Teong

Chairman

Hong Kong

28 July 2004



BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$841 million for the financial year ended 31 March 2004, an increase of about 38% over that of last year.

A breakdown of the Group's turnover together with an analysis of contribution to operating results by activity is set out below:

	Year ended 31 March			
	2004		2003	
	Turnover HK\$'000	Contribution to operating results HK\$'000	Turnover HK\$'000	Contribution to operating results HK\$'000
Sale of properties	810,786	120,768	579,528	56,143
Rental income	27,589	13,574	29,681	18,421
Property management	3,098	2,664	1,565	(5,508)
Corporate and others	–	(9,662)	–	(30,680)
Interest income	–	223	–	227
Total	841,473	127,567	610,774	38,603

The Group's turnover for the year was mainly derived from operations in the mainland of the People's Republic China.

The performance of the Group for the financial year has been encouraging. The turnover for the year ended 31 March, 2004 has reached a record high of about HK\$841 million, representing an increase of about 38% over that of last year. The net profit attributable to shareholders for the year has increased by about 11.5 times to approximately HK\$52.35 million from last year's HK\$4.17 million (restated).

The turnover for sale of properties increased by about HK\$231 million, from last year's HK\$580 million to about HK\$811 million for the year. The increase was mainly due to the satisfactory advancement in the pre-sales and sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City, Fuzhou Mansion, and Phase III and IV of Anshan Greenland IT City. The revenue for the year contributed from sales and pre-sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City, Fuzhou Mansion, Phase III and IV of Anshan Greenland IT City, Wuhan Wah Zhong Trade Plaza and Phase II of Shenzhen Dragon Court respectively accounted for 32.84%, 18.50%, 16.29%, 10.19%, 8.41%, 4.95% and 4.88% of the turnover for sale of properties. The balance of 3.94% was contributed from the pre-sales of the Group's new developments, namely Phase I of Beijing Sunvilla Realhouse (formerly known as Beijing Ritz Garden Villa) and Anshan Riviera Garden.

BUSINESS ANALYSIS *(Continued)*

For property rental, the Group recorded a drop in turnover of about 7% from last year. The decline was mainly due to the sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza by the Group during the year resulting in lesser area available for leasing. The leasing performance of the remaining commercial area in Wuhan Wah Zhong Trade Plaza held by the Group has been satisfactory during the year. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion remained relatively weak as the old design features of this property has rendered it less competitive in the commercial/office rental market.

For property management operations, the Group has entered into a number of service contracts for properties developed by other developers during the year. As a result, a growth of about 98% in the turnover of property management from last year was recorded.

Administrative expenses of the Group for the year increased by about 27% as compared to that of last year. The increase was mainly due to additional costs incurred to cope with the business growth as well as in the set up of new operating establishments in anticipation of acquiring new development projects in cities where the Group has no presence in the past.

The improvement in the performance of the Group for the year was mainly attributable to the following factors:

- (1) Satisfactory results were achieved from sales and pre-sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City and sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza;
- (2) A positive result was achieved from property management operations for the year, a turn-around from a deficit in last year; and
- (3) A compensation of HK\$4.31 million was received by the Group from a buyer of certain properties in Wuhan Wah Zhong Trade Plaza for breaching of a sale agreement.

Despite the satisfactory overall performance for the year, the following events had caused a negative impact on the Group's profit for the year:

- (1) Certain properties in Phase I of Shenzhen Dragon Court surrendered by certain buyers were resold at a loss of HK\$4.7 million due to decline in selling price;
- (2) Losses in the amount totalling HK\$21.84 million were resulted from realization of properties in two old aged development projects namely, Phase II of Shenzhen Dragon Court and Fuzhou Mansion, as additional marketing expenses were incurred in the sales promotion of these two developments and their selling prices were lower than that expected; and
- (3) A share of losses of a joint venture company of HK\$18.01 million resulting from a disposal of certain land by the joint venture company so as to generate working capital for the operations of the joint venture company and alleviate the need to call for further capital injection from the joint venture partners.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group continues its business strategy of focusing on developing quality residential estates for PRC middle class domestic market. A summary of the status of the Group's major properties and development projects is set out below.

Anshan Greenland IT City

Anshan Greenland IT City is one of the large-scale developments of the Group and has a total site area of about 268,807 sq.m. which is being developed in phases into a low density residential estate with ancillary facilities and attached commercial area.

The construction of the first four phases with a total GFA of 247,047 sq.m. had been completed. As at the end of the year, about 90% of the GFA in these four phases had been sold. The remaining area with a GFA of about 17,253 sq.m., excluding the club house with a GFA of about 6,320 sq.m. which was held by the Group as an investment property, was held for sale by the Group.

The construction of Phase V with a GFA of about 44,211 sq.m. was started in May 2003 and is expected to be completed in December 2004. Pre-sale of the development is planned to be commenced in July 2004.

Anshan Riviera Garden

This is a second development of the Group in Anshan, which is a residential estate with ancillary facilities and attached commercial area with a total GFA of approximately 84,417 sq.m. The construction and pre-sale of the development were started during the year. The expected completion date of the development is in March 2005. As at the end of the year about 26% of the GFA had been pre-sold.

Beijing Sunvilla Realhouse (formerly known as Beijing Ritz Garden Villa)

The development has a site area of 410,000 sq.m. and is planned to be developed into a villa estate in two phases. Due to a modification of the development plan in response to a change in the market demand, the GFA of the development is adjusted from 125,500 sq.m. to 116,474 sq.m. in the year.

The construction of Phase I with a GFA of about 69,156 sq.m. was started in September 2002 and is expected to be completed in December 2004. Pre-sale of Phase I was started in August 2003. As at the end of the year about 16% of the GFA had been pre-sold.

The construction of Phase II with a GFA of about 47,318 sq.m. is planned to be started in January 2005 and is expected to be completed in early 2006.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Fuzhou Mansion

The development is a residential building with a total GFA of 40,443 sq.m. of which about 35,222 sq.m. is residential area and about 5,221 sq.m. is car parking space and storage space located on two basement levels.

The construction of the development had been completed. As at the end of the year about 96% of the GFA in the development had been sold and the remaining area (comprising mainly car parking spaces) with a GFA of about 1,770 sq.m. was held for sale by the Group.

Fuzhou Gushan Luxury Villa

The development is a villa estate with a site area of 234,160 sq.m. The development is planned to be carried out in two phases.

The construction of Phase I with a total GFA of approximately 25,550 sq.m. is planned to be started in August 2004 and is expected to be completed in August 2005. Pre-sale of the development is planned to be commenced in December 2004.

The construction Phase II with a total GFA of approximately 24,500 sq.m. is scheduled to be started in March 2005 and is expected to be completed in March 2006.

Shanghai Golden Bridge Garden

Completed in November 1997, Shanghai Golden Bridge Garden is a residential/commercial development with a total GFA of 65,908 sq.m. As at the end of the year, all of the residential and commercial area had been sold and the remaining area (comprising mainly car parking spaces) with a GFA of about 4,823 sq.m. was held for sale by the Group.

Shanghai Golden Bridge Mansion

Shanghai Golden Bridge Mansion is a residential/commercial building developed by an independent PRC developer. As at the end of the year, the Group held for sale a total GFA of about 7,365 sq.m. which comprises commercial area on level 1 to level 4 in the podium, and 70 car parking spaces in the basement. Pending sale, a substantial part of the commercial area held by the Group was leased to generate rental income and the car parking spaces are being operated as a public car park by the Group.

Shanghai Riviera Villa

Shanghai Riviera Villa is a low density residential estate with a site area of 259,984 sq.m. The development is planned to be carried out in three phases.

The construction of Phases I and II with a total GFA of 129,939 sq.m. had been completed. As at the end of the year all GFA in these two phases had been sold.

The construction of Phase III with a total GFA of approximately 60,000 sq.m. was started during the year and is expected to be completed in December 2004. Pre-sale of Phase III was started in December 2003. As at the end of the year about 24% of the GFA had been pre-sold.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Shenzhen Dragon Court

Shenzhen Dragon Court is a residential/commercial development with two residential buildings and two levels of commercial podium.

Phase I (Tower I) and Phase II (Tower II) of the development with a total GFA of 45,582 sq.m. had been completed. As at the end of the year about 89% of the GFA in these phases had been sold. The remaining area (comprising mainly car parking spaces) with a GFA of about 3,806 sq.m., excluding the club house with a GFA of 1,200 sq.m. which was held by the Group as an investment property, was held for sale by Group.

The Group is still negotiating to acquire the land parcel with a site area of about 5,024 sq.m. adjacent to the development which will become Phase III of the development when acquired. The negotiation process has been slowed down pending the resolution of a dispute between the outgoing developer of this site and the Land Administration Bureau in Shenzhen about the land parcel. The Group is not involved in the dispute.

Dongguan Riviera Villa

The development is a low density residential estate with ancillary facilities and attached commercial area with a site area of 382,649 sq.m. The development is planned to be carried out in two phases.

The construction of Phase I with a total GFA of approximately 119,190 sq.m. was scheduled to be started in October 2004 and is expected to be completed in late 2005. Pre-sale of the development is planned to be commenced in March 2005.

Wuhan Wah Zhong Trade Plaza

Wuhan Wah Zhong Trade Plaza is a 9-floor commercial/office building with a total GFA of 79,985 sq.m. During the year, the Group sold most of the area on level 8 and level 9 and the remaining area held for sale as at the end of the year is about 7,176 sq.m., which comprises mainly car parking spaces in the basement. As at the end of the year the Group held about 45,359 sq.m. of the GFA on level 1 to level 6 of the development as investment property.

During the year, substantially all of the GFA in this property held by the Group as an investment property was leased out.

Wuhan Lakeside Apartment

Wuhan Lakeside Apartment is a large-scale residential estate development with ancillary facilities and attached commercial area with a total GFA of approximately 344,000 sq.m. The development is planned to be carried out in phases.

The construction of Phase I with a total GFA of 43,000 sq.m. had been completed. As at the end of the year all residential area had been sold and the remaining commercial area with a GFA of about 2,709 sq.m. was held for sale by the Group.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Wuhan Lakeside Apartment *(Continued)*

The construction of Phase II with a total GFA of 66,445 sq.m. had been started in October 2003 and is expected to be completed in August 2004. Pre-sale of Phase II was started in May 2003. As at the end of the year about 93% of the GFA had been pre-sold.

The construction of Phase III with a total GFA about 98,995 sq.m. was started in March 2004 and is expected to be completed in June 2005. Pre-sale of the development is planned to be commenced in July 2004.

The construction of the remaining phases with a total GFA approximately 143,000 sq.m. is scheduled to be started in the years between 2004 and 2005 and is expected to be completed in the years between 2006 and 2007.

Xiamen Lu Jiang New City

Xiamen Lu Jiang New City is a large-scale residential development. The development has a total site area of 36,721 sq.m. and is being developed into a residential estate with ancillary facilities and attached commercial area in four phases.

As at the end of the year, all the four phases with a total GFA of approximately 143,411 sq.m. had been completed. The Group had sold about 89% of the GFA in the development and held for sale the remaining commercial and car parking area with a GFA of about 14,214 sq.m. at the end of the year.

Xiamen Xiang Jiang Garden

The development is a residential/commercial development completed in December 1993. The Group had sold over 94% of the GFA in the development. The remaining GFA is mainly car parking spaces in the basements which are being operated as a public car park by the Group.

Tangshan Tourism Project

During the year the Group had acquired in aggregate 47.5% indirect interest in a joint venture company which holds a piece of land (the "Property") situated in an island in Tangshan City, Hebei Province, the PRC. The Property is planned to be developed into a tourist resort with ancillary real estate development. During the year, a road of about 4 kilometers connecting the island and its nearby development zone was built and completed by the joint ventures company, thus providing an improved infrastructure network for access to the island. The development of the land in the island is still at the planning and design stage and it is expected that more time will be required for the planning and design phase due to the massive development scale and the long term investment in nature of this project. Since the Group's acquisition of the interest in this project, the joint venture company has disposed of certain land it held so as to generate working capital for the joint venture company's operations and alleviate the need to call for further capital injection from the joint venture partners.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

During the year, the Group had deployed the entire site area of 92,000 sq.m. from its Anshan Riviera Garden landbank and a portion of site area of 22,000 sq.m. from its Anshan Greenland IT City landbank. These two site areas are capable of developing into properties with a total GFA of about 128,628 sq.m.

The landbank of the Group as at the end of the year are located in Anshan and Wuhan. A summary of the landbank is set out below:

Landbank	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Interests of the development attributable to the Group
Anshan Greenland IT City (excluding the first five phases)	83,107	135,521	96%
Wuhan landbank (Note)	883,843	1,414,149	100%
Total	966,950	1,549,670	

Note: Due to the changes in the urban planning and environmental policies of the local authority, part of the site of Wuhan landbank was surrendered to the authority as green area, and in line with the new policies, plot ratio of this landbank has been slashed down to approximately 1.6. The estimated GFA of this landbank is revised in accordance with the new plan.

The landbank are capable of being developed into properties with a total GFA of approximately 1.55 million sq.m., based upon the plot ratios stated in the relevant land grant contract, land use right certificate or approval issued by competent authorities. Residential and/or commercial properties are expected to be developed on these sites in accordance with the market demand then prevailing.

The Group is persistently seeking for suitable landbank additions for its future development. Currently, the Group is in negotiation for acquisition of certain land parcels in major cities of the PRC. There is no assurance at this stage that these negotiations will bring to fruition eventually.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 March 2004, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

During the year, the Company allotted and issued 1,000,000,000 ordinary shares of HK\$0.10 each in satisfaction of the consideration for the acquisition of an aggregate 47.5% indirect interest in a joint venture company in the PRC.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

At 31 March 2004, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances, time deposits and pledged bank deposits, amounted to about HK\$484 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, decreased by about 4.15% to about 38.23% from about 42.38% last year. The decrease in the net debt to equity ratio is mainly due to the increase in net assets of the Group from about HK\$1,090 million to about HK\$1,266 million as a result of the issue of shares as stated in the foregoing paragraph and the net profit made for the year.

BORROWINGS AND CHARGES

At 31 March 2004, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	HK\$'000
Bank overdrafts repayable:	
Within one year or on demand	9,153
Bank loans repayable:	
Within one year or on demand	376,966
In the second year	222,727
In the third to fifth years, inclusive	91,107
	690,800
Other loans repayable:	
Within one year	39,164
In the second year	3,718
In the third to fifth years, inclusive	12,081
Beyond five years	28,363
	83,326
	783,279

An analysis by currency denomination of the above borrowings is as follows:

	HK\$'000
Renminbi	711,208
Hong Kong dollars	59,583
United States dollars	12,488
	783,279

The borrowings bear interest rates based on normal commercial terms.

BORROWINGS AND CHARGES *(Continued)*

- (a) Certain of the Group's borrowings are secured by:
 - (i) Certain investment properties of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$395 million;
 - (ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$503 million;
 - (iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$50 million;
 - (iv) Certain properties held for development with a carrying value at 31 March 2004 of approximately HK\$471 million;
 - (v) Corporate guarantees from the Company and certain its subsidiary companies; and
- (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 at 31 March 2004 and a 50% equity interest in Shanghai Golden Bridge Real Estate Ltd., a wholly owned subsidiary of the Company at 31 March 2004.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renminbi. The exchange rate for Renminbi has been stable over the past few years and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renminbi in the foreseeable future. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,348 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and share options.

EXECUTIVE DIRECTORS

Mr. Chan Boon Teong, aged 62, is the chairman of the Group and one of the founders of the Group. He is responsible for corporate direction and development of the Group's business. He graduated from the Imperial College of the University of London, United Kingdom with a Bachelor's degree in Electrical Engineering and also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City, United States of America. He has over 33 years' experience in commercial, industrial and real estate business in the Southeast Asia region. He was a director of the Kowloon Stock Exchange. He is a director of TPV Technology Limited, a listed company in Hong Kong, and a director of Cathay United Bank, Ltd., a listed company in Taiwan. Mr. Chan is a member of the National Chinese People's Political Consultative Conference and is also a member of the Standing Committee of All-China Federation of Returned Overseas Chinese.

Mr. Jiang Ming, aged 46, is the deputy chairman and managing director of the Group and one of the founders of the Group. He is responsible for strategy planning and the overall management of the Group. He graduated from the National University of Singapore with a Master's degree in Business Administration. He has over 20 years' experience in investment and corporate management. Prior to the establishment of the Group, he was a general manager of a joint venture enterprise in the PRC for over 7 years. He is a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University.

Mr. Tao Lin, aged 46, is the deputy managing director of the Group. He is responsible for investment planning, investment management and project development of the Group. He has over 16 years' experience in investment and management. He graduated from Beijing Communication Engineering College (北京信息工程學院). Before joining the Group in 1991, he had served as an operations officer in a software development company in the PRC.

Mr. Cheng Wing Bor, aged 44, is the financial controller of the Group. He is responsible for the financial and accounting management of the Group. He has over 18 years' experience in accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic and is an associate member of the Hong Kong Society of Accountants and a fellow of the Chartered Association of Certified Accountants, United Kingdom. Before joining the Group in 1994, he worked in an international accounting firm in Hong Kong for 8 years.

Mr. Lin Chen Hsin, aged 60, is responsible for administration of the Group's Hong Kong office and the public relations of the Group. He has over 20 years' experience in import and export trading and manufacturing. He graduated from the Shanghai Education Institute (上海教育學院). He joined the Group in 1990.

NON-EXECUTIVE DIRECTORS

Mr. Zheng Hong Qing, aged 56, is a non-executive director of the Company appointed in 1997. He graduated from the Chinese People's University (中國人民大學) with a Master's degree in Economics. He has held senior positions in various major corporations in the PRC and has extensive business management experience. He is also a director of China Travel International Investment Hong Kong Limited, a listed company in Hong Kong.

Mr. Tang Lap Yan, aged 59, is an independent non-executive director of the Company appointed in 1997. Mr. Tang is a fellow of the Chartered Institute of Management Accountants, United Kingdom. He is the former chairman of The Chinese Language Press Institute and The Newspaper Society of Hong Kong.

Mr. Law Kin Ho, aged 36, is an independent non-executive director of the Company appointed in 2002. Mr. Law graduated from Hong Kong Baptist University with a Bachelor's degree majoring in accountancy. He is a fellow of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants, United Kingdom. Mr. Law is currently practising as a certified public accountant in Hong Kong.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 9 June 2003, the name of the Company was changed from “Coastal Realty Group Limited” to “Coastal Greenland Limited” with effect from 10 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise property development, property investment and the provision of property management services. There were no changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 85.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate and adjusted for the prior year adjustments arising from the change in accounting policy as further detailed in note 2 to the financial statements, is set out on page 4 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT

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

PROPERTIES HELD FOR DEVELOPMENT

Details of movements in the properties held for development of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s share capital during the year, together with the reasons therefor, are set out in note 30 to the financial statements. There was no movement in the Company’s share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$658,325,000. In addition, the Company's share premium account, with a balance of HK\$330,080,000 as at 31 March 2004, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chan Boon Teong
Jiang Ming
Tao Lin
Cheng Wing Bor
Lin Chen Hsin

Non-executive director:

Zheng Hong Qing

Independent non-executive directors:

Tang Lap Yan
Law Kin Ho

In accordance with article 87(1) of the Company's bye-laws, Messrs. Lin Chen Hsin and Law Kin Ho will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

The three-year service contracts with the executive directors expired on 29 September 2003 and were renewed for a further term of three years expiring on 29 September 2006. All of the non-executive directors continue as non-executive directors without entering into any formal service contracts for specific terms and are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected transactions" and in note 37 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) Interests in the shares and underlying shares of the Company

(i) Long positions in the ordinary shares of the Company

Name of director	Notes	Number of shares held, capacity and nature of interest		
		Directly beneficially owned	Through controlled corporation	Percentage of the Company's issued share capital
Chan Boon Teong	(a), (b) and (c)	–	1,027,890,527	50.7
Jiang Ming	(a), (b) and (c)	–	1,027,890,527	50.7
Tao Lin	(a), (b) and (c)	–	1,027,890,527	50.7
Cheng Wing Bor	(a), (b) and (c)	–	1,027,890,527	50.7
Lin Chen Hsin	(a), (b) and (c)	480,000	1,027,890,527	50.8

(ii) The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)
(B) Interests in shares of associated corporations of the Company

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

Name of director	Notes	Number of shares held, capacity and nature of interest	
		Directly beneficially owned	Through controlled corporation
Chan Boon Teong	(d)	6,000,000	5,000,000
Jiang Ming	(d)	4,000,000	5,000,000
Lin Chen Hsin	(d)	1,000,000	5,000,000
Tao Lin	(d)	–	5,000,000
Cheng Wing Bor	(d)	–	5,000,000

- (ii) Long positions in shares of Coastal International Holdings Limited ("CIH") (holding company of the Company)

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Chan Boon Teong	240	Directly beneficially owned	24%
Jiang Ming	320	Directly beneficially owned	32%
	250	Through controlled corporation	25%
Tao Lin	50	Directly beneficially owned	5%
Cheng Wing Bor	10	Directly beneficially owned	1%
Lin Chen Hsin	30	Directly beneficially owned	3%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

- (a) 497,600,000 shares are beneficially owned by CIH, of which the entire issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming) and 10% by Roseford Resources Limited (the entire issued voting share capital of which is held by CIH). These 497,600,000 shares represent an aggregate of 24.59% of the issued share capital of the Company.
- (b) 46,080,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 shares represent an aggregate of 2.28% of the issued share capital of the Company.
- (c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of 23.92% of the issued share capital of the Company.
- (d) 5,000,000 non-voting deferred shares are held by Chunghwa Electronics Co. Ltd., which is 97% owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner stated in the foregoing note (a).

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2004, the Company had been notified of the following substantial shareholder's interests, being 5% or more in the issued share capital of the Company:

Long positions:

Name	Nature of interest	Number of ordinary shares	Number of underlying shares in respect of share options	Percentage of the Company's issued share capital
Yang Su Xin	Family (Note 1)	1,027,890,527	6,400,000	51.1
Delta Force Investments Limited	Corporate (Note 2)	158,210,526	–	7.82
Cheang Sin Nga Success Essence	Corporate (Note 2)	158,210,526	–	7.82
Success Essence Investments Limited	Corporate (Note 3)	184,210,526	–	9.1
Huang Bin Profit Channel	Corporate (Note 3)	184,210,526	–	9.1
Profit Channel Investments Limited	Corporate (Note 4)	147,368,421	–	7.28
Wong Fei Fu	Corporate (Note 4)	147,368,421	–	7.28

Notes:

- (1) Yang Su Xin is the spouse of Jiang Ming (a director of the Company) and is deemed to be interested in the 1,027,890,527 shares of the Company, which is the aggregate number of shares that CIH and its wholly owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company as disclosed under the heading "Directors' interests in shares and underlying shares" above, and in the 6,400,000 outstanding share options held by Jiang Ming as disclosed in note 31 to the financial statements.
- (2) The entire issued share capital of Delta Force Investments Limited is held by Cheang Sin Nga and accordingly Cheang Sin Nga is deemed to be interested in the 158,210,526 shares of the Company held by Delta Force Investments Limited.
- (3) The entire issued share capital of Success Essence Investments Limited is held by Huang Bin and accordingly Huang Bin is deemed to be interested in the 184,210,526 shares of the Company held by Success Essence Investments Limited.
- (4) The entire issued share capital of Profit Channel Investments Limited is held by Wong Fei Fu and accordingly Wong Fei Fu is deemed to be interested in the 147,368,421 shares of the Company held by Profit Channel Investments Limited.

CONNECTED TRANSACTIONS

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 in relation to the acquisition of an aggregate 47.5% indirect interest in Tangshan New Island Tourism Development Company Limited (the "Joint Venture Company"), a Sino-foreign joint venture company established in the People's Republic of China (the "PRC") (the "Acquisitions") for considerations of approximately HK\$48,421,000 and HK\$51,579,000, respectively. 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 the Company (the "Consideration Shares") at an issue price of HK\$0.10 per share. The Consideration Shares represent approximately 49.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Coastal Enterprise Group Limited is a wholly-owned subsidiary of CIH, which in turn is the controlling shareholder of the Company. By virtue of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Acquisitions constituted a connected transaction of the Company during the year.

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

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Boon Teong

Chairman

Hong Kong

28 July 2004



To the members

Coastal Greenland Limited

(Formerly Coastal Realty Group Limited)

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 28 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

28 July 2004

CGL CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	5	841,473	610,774
Cost of sales		(685,273)	(529,930)
Gross profit		156,200	80,844
Other revenue and gains		32,377	7,973
Marketing and selling costs		(2,438)	(3,265)
Administrative expenses		(43,000)	(33,771)
Other operating expenses, net		(15,572)	(13,178)
PROFIT FROM OPERATING ACTIVITIES	6	127,567	38,603
Finance costs	7	(13,196)	(14,037)
Share of profits and losses of:			
Jointly controlled entities		(18,011)	(8)
Associate		(3,913)	–
Amortisation of goodwill on acquisition of an associate		(1,041)	–
PROFIT BEFORE TAX		91,406	24,558
Tax	10	(41,910)	(20,314)
PROFIT BEFORE MINORITY INTERESTS		49,496	4,244
Minority interests		2,851	(70)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	52,347	4,174
EARNINGS PER SHARE – Basic	12	2.91 cents	0.41 cents
EARNINGS PER SHARE – Diluted	12	Not applicable	Not applicable

CGL CONSOLIDATED BALANCE SHEET

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	434,497	416,337
Properties under development	15	135,800	80,449
Properties held for development	16	1,162,752	1,183,263
Goodwill	17	21,757	10,207
Interests in jointly-controlled entities	18	80,813	12,901
Interest in an associate	19	20,309	–
Long term investments	20	19,240	560
Pledged deposits	21	22,775	36,237
Prepayments and deposits		173,748	–
		2,071,691	1,739,954
CURRENT ASSETS			
Properties under development for sale	15	392,282	489,131
Completed properties for sale	22	163,939	204,648
Trade receivables	23	38,633	49,480
Prepayments, deposits and other receivables		83,409	50,146
Tax recoverable		4,311	–
Pledged deposits	21	6,319	16,623
Time deposits		–	571
Cash and bank balances		269,925	100,414
		958,818	911,013
CURRENT LIABILITIES			
Due to the ultimate holding company	24	88,231	42,143
Trade payables	25	112,679	96,413
Tax payable		13,163	4,580
Deposits received		21,282	41,349
Other payables and accruals		188,856	207,188
Due to a minority shareholder		1,449	–
Interest-bearing bank and other borrowings	26	425,283	465,644
		850,943	857,317
NET CURRENT ASSETS		107,875	53,696

CGL CONSOLIDATED BALANCE SHEET

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,179,566	1,793,650
NON-CURRENT LIABILITIES			
Deposits received		12,578	7,470
Interest-bearing bank and other borrowings	26	357,996	150,602
Long term payables	27	41,642	111,475
Deferred tax	28	450,063	423,767
Provision for long service payments	29	1,833	1,658
		864,112	694,972
MINORITY INTERESTS			
		48,995	8,682
		1,266,459	1,089,996
CAPITAL AND RESERVES			
Issued capital	30	202,400	102,400
Reserves	32	1,064,059	987,596
		1,266,459	1,089,996

Chan Boon Teong
Director

Jiang Ming
Director

CGL CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
Total equity at 1 April:			
As previously reported		1,481,047	1,475,136
Prior year adjustments	32	(391,051)	(389,314)
As restated		1,089,996	1,085,822
Issue of shares, including share premium		120,000	–
Share issue expenses	32	(900)	–
Surplus on revaluation of investment properties	32	10,585	–
Revaluation reserve eliminated upon transfer of properties held for development to properties under development	32	(5,569)	–
Net gains not recognised in the profit and loss account		5,016	–
Net profit for the year		52,347	4,174
Total equity at 31 March		1,266,459	1,089,996

CGL CONSOLIDATED CASH FLOW STATEMENT

	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		91,406	24,558
Adjustments for:			
Finance costs	7	13,196	14,037
Share of profits and losses of jointly-controlled entities and associate		21,924	8
Interest income	6	(223)	(227)
Depreciation	6	6,725	5,683
Goodwill amortisation		5,333	–
Loss on disposal of fixed assets	6	93	125
Revaluation deficit/(surplus) on leasehold land and buildings	6	(410)	526
Provision for impairment of properties under development	6	3,668	–
Provision for long service payments	6	175	1,658
Operating profit before working capital changes		141,887	46,368
Increase in properties under development		(455,683)	(175,781)
Increase in properties held for development		(10,527)	(9,490)
Decrease in completed properties for sale		556,309	213,139
Decrease/(increase) in trade receivables		10,847	(6,116)
Increase in prepayments, deposits and other receivables		(33,263)	(1,000)
Decrease in trade payables		(53,567)	(59,996)
Increase/(decrease) in other payables and accruals		(18,332)	99,255
Increase/(decrease) in deposits received		(14,959)	26,370
Cash generated from operations		122,712	132,749
Interest received		223	227
Interest paid		(35,580)	(33,423)
Overseas taxes paid		(16,668)	(1,866)
Net cash inflow from operating activities		70,687	97,687

CGL CONSOLIDATED CASH FLOW STATEMENT

	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	14	(6,699)	(15,038)
Proceeds from disposal of fixed assets		2,202	604
Increase in net amounts due to jointly-controlled entities		9,587	1,656
Investment in a jointly-controlled entity		(19,516)	(18,681)
Increase/(decrease) in pledged deposits		23,766	(3,201)
Increase/(decrease) in time deposits		571	(571)
Prepayments and deposits paid for the acquisition of non-current assets		(152,373)	–
Net cash outflow from investing activities		(142,462)	(35,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from minority shareholder of a subsidiary		29,390	1,795
Share issue expenses		(900)	–
New bank borrowings and other loans		533,116	176,572
Repayment of bank borrowings and other loans		(366,913)	(109,013)
Increase/(decrease) in bank overdrafts		830	(818)
Increase/(decrease) in an amount due to the ultimate holding company		46,088	(106,972)
Decrease in an amount due to a minority shareholder		(325)	–
Net cash inflow/(outflow) from financing activities		241,286	(38,436)
NET INCREASE IN CASH AND CASH EQUIVALENTS		169,511	24,020
Cash and cash equivalents at beginning of year		100,414	76,394
CASH AND CASH EQUIVALENTS AT END OF YEAR		269,925	100,414
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		269,925	100,414

CGL BALANCE SHEET

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	13	1,167,718	1,457,135
Interest in an associate	19	25,263	–
		1,192,981	1,457,135
CURRENT ASSETS			
Cash and bank balances		8	6
CURRENT LIABILITIES			
Other payables and accruals		1,275	1,055
NET CURRENT LIABILITIES		(1,267)	(1,049)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,191,714	1,456,086
NON-CURRENT LIABILITIES			
Provision for long service payments	29	909	835
		1,190,805	1,455,251
CAPITAL AND RESERVES			
Issued capital	30	202,400	102,400
Reserves	32	988,405	1,352,851
		1,190,805	1,455,251

Chan Boon Teong
Director

Jiang Ming
Director

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- property development
- property investment
- provision of property management services

In the opinion of the directors, the ultimate holding company of the Company is Coastal International Holdings Limited ("CIH"), which is incorporated in the British Virgin Islands.

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

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

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

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

Measurement and recognition:

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

Disclosures:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain properties held for development and certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

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

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

Joint venture companies

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

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

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

Joint venture companies *(Continued)*

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit-sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit-sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

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

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

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

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

Goodwill

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

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

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

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

Negative goodwill

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

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

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

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

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

Negative goodwill *(Continued)*

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

Impairment of assets

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

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

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

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

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Fixed assets and depreciation *(Continued)*

Changes in the values of leasehold land and buildings are dealt with as movements in the land and building revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms, including renewal periods
Buildings	2% to 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Properties under development and properties under development for sale

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Properties under development and properties under development for sale** *(Continued)*

Properties under development which have been pre-sold are stated at cost plus attributable profits less sale deposits/instalments received and receivable and any foreseeable losses. Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sale deposits/instalments received, with due allowances for contingencies.

Properties held for development

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

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

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

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases relating to the development of properties are capitalised during the development period. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

Long term investments

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

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Income tax *(Continued)*

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

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

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

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the legally binding unconditional sale contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed "Properties under development and properties under development for sale";
- (c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;
- (d) property management income, when the related management services are provided; and
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

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

Employee benefits *(Continued)*

Share option schemes

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

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

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

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

Dividends

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

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

4. SEGMENT INFORMATION

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

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

- (a) the property development segment engages in the development of properties in the PRC;
- (b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential;
- (c) the property management segment engages in the management of properties in the PRC;
and
- (d) the corporate and others segment mainly engages in investment holding.

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

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

CGL NOTES TO FINANCIAL STATEMENTS

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

CGL NOTES TO FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

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

CGL NOTES TO FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

Group

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

5. TURNOVER

Turnover represents gross proceeds, net of returns, from the sale of properties and pre-sale of properties under development, adjusted to reflect the progress of the development, together with gross rental income and property management income.

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

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

CGL NOTES TO FINANCIAL STATEMENTS

6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

CGL NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION *(Continued)*

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

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

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

9. FIVE HIGHEST PAID INDIVIDUALS

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

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

10. TAX

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

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

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions and preferential tax rates.

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

CGL NOTES TO FINANCIAL STATEMENTS

10. TAX (Continued)

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

Group – 2004

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

Group – 2003

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

CGL NOTES TO FINANCIAL STATEMENTS

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

12. EARNINGS PER SHARE

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

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

13. INTERESTS IN SUBSIDIARIES

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

14. FIXED ASSETS

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

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

In the opinion of the directors, the fair values of the Group's leasehold land and buildings in the PRC did not differ materially from the carrying values of the respective assets at the balance sheet date and no further revaluation was therefore performed.

14. FIXED ASSETS *(Continued)*

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

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

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

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

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

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

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

15. PROPERTIES UNDER DEVELOPMENT

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

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

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

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

16. PROPERTIES HELD FOR DEVELOPMENT

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

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

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

17. GOODWILL AND NEGATIVE GOODWILL

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

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

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

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

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

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

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

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

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration	Group's percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
New Shanghai International Property Management Co., Ltd.*	Corporate	PRC	30%	43%	30%	Property management
Qingdao Coastal Realty Development Co., Ltd.*	Corporate	PRC	50%	25%	50%	Dormant
Tangshan New Island Tourism Development Company Limited*	Corporate	PRC	45%	25%	45%	Property development
Tianjin Coastal Greenland Real Estate Co., Ltd.*	Corporate	PRC	70%	60%	70%	Dormant

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

CGL NOTES TO FINANCIAL STATEMENTS

19. INTEREST IN AN ASSOCIATE

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

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

Particulars of the associate are as follows:

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

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

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

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

20. LONG TERM INVESTMENTS

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

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

21. PLEDGED DEPOSITS

The balance represents deposits pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and deposits pledged to banks for banking facilities granted to the Group.

22. COMPLETED PROPERTIES FOR SALE

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

23. TRADE RECEIVABLES

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situations for each project.

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

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

24. DUE TO THE ULTIMATE HOLDING COMPANY

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

25. TRADE PAYABLES

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

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

CGL NOTES TO FINANCIAL STATEMENTS

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

- (a) Certain of the Group's bank loans are secured by:
- (i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$395 million (note 14);
 - (ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$503 million (note 15);
 - (iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$50 million (note 22);
 - (iv) certain properties held for development of the Group with a carrying value at the balance sheet date of approximately HK\$471 million (note 16); and
 - (v) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million and a 50% equity interest in Shanghai Coastal Golden Bridge Real Estate Ltd. (see below), a wholly owned subsidiary of the Company, at the balance sheet date. The other loans bear interest at rates ranging from 5% to 14% per annum.

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

27. LONG TERM PAYABLES

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

The long term payables mainly represent land grant fees due in respect of the acquisition of land use rights in the PRC.

In accordance with the terms of the land use grant agreements and the sale and purchase agreements, the further land grant fee considerations are payable only upon the commencement of development of the relevant projects and according to the progress of the development. Until the land grant fee in respect of a particular site has been fully paid, the Group is only permitted to apply for a provisional land use right certificate, not the formal land use right certificate, for that site and the Group is not allowed to transfer, mortgage or lease the relevant properties in respect of that site without the consent of the local government authorities.

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

CGL NOTES TO FINANCIAL STATEMENTS

28. DEFERRED TAX

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

Deferred tax liabilities

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

28. DEFERRED TAX (Continued)**Deferred tax liabilities**

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

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

29. PROVISION FOR LONG SERVICE PAYMENTS

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

30. SHARE CAPITAL

Shares

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

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

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

Share options

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

31. SHARE OPTION SCHEMES

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

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

(a) Purposes of the Scheme 2002

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

(b) Eligible participants ("Participants")

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

- (i) any eligible employee of the Company or its subsidiaries;
- (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any legal or financial adviser of the Group or any Invested Entity or any technical consultant that provides research, development or other technological support to the Group or any Invested Entity; and
- (vi) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity who has made or may make a contribution to the development and growth of the Group or any Invested Entity;

31. SHARE OPTION SCHEMES *(Continued)*

(b) Eligible participants (“Participants”) *(Continued)*

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

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

(c) Maximum number of shares

- (i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company.
- (iii) At 31 March 2004, the number of shares issuable under share options granted under the Scheme 1997 was 62,720,000, which represented approximately 6.1% of the Company’s shares in issue at that date.

(d) Maximum entitlement of each Participant

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

(e) Grant of options to connected persons

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

31. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

(f) Time of acceptance and exercise of an option

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

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

(g) Basis of determining the option exercise price

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

CGL NOTES TO FINANCIAL STATEMENTS

31. SHARE OPTION SCHEMES (Continued)

(h) Period of the Scheme 2002

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

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

Name or category of participant	Number of share options					Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽³⁾	Exercise price of share options ⁽²⁾ HK\$
	At 1 April 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2004			
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).

CGL NOTES TO FINANCIAL STATEMENTS

32. RESERVES

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

CGL NOTES TO FINANCIAL STATEMENTS

32. RESERVES (Continued)

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

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

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

32. RESERVES (Continued)

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997.

The contributed surplus of the Company arose as a result of the Group reorganisation completed in September 1997 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor.

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

- (i) During the year, the Company allotted and issued 1,000,000,000 ordinary shares of HK\$0.10 each in satisfaction of the consideration for the acquisition of a 100% interest in Carry Investment Limited, a 70% interest in China Max Development Limited and a 20% interest in Unicorn Power Limited, whose principal assets are their respective interests in a joint venture company as detailed in note 37(a) to the financial statements.
- (ii) During the year, the Group made a prepayment of HK\$21,375,000, which was satisfied by certain of the Group's completed properties for sale and properties under development for sale, in connection with the acquisition of a company incorporated in Hong Kong. The acquisition has not been completed as at the balance sheet date.

(b) Acquisition of subsidiaries

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

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

CGL NOTES TO FINANCIAL STATEMENTS

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

(b) Acquisition of subsidiaries *(Continued)*

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

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

34. CONTINGENT LIABILITIES

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

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

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

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

CGL NOTES TO FINANCIAL STATEMENTS

35. OPERATING LEASE ARRANGEMENTS *(Continued)***(b) As lessee**

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

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

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

36. COMMITMENTS

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

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

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

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

37. RELATED PARTY TRANSACTIONS

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

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

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

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

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

38. POST BALANCE SHEET EVENTS

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

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Directly held subsidiaries:				
Carry Investment Limited*	Hong Kong	HK\$100 Ordinary	100%	Investment holding
China Max Development Limited*	Hong Kong	HK\$100 Ordinary	70%	Investment holding
Coastal Realty (BVI) Limited	British Virgin Islands/Hong Kong	US\$200 Ordinary	100%	Investment holding
深圳沿海國投置業有限公司^	PRC	US\$11,000,000	65%	Property development
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited^	PRC	RMB112,050,000	95%	Property development
Coastal Greenland Development (An Shan) Ltd.^	PRC	RMB50,000,000	96%	Property development
Coastal Greenland Development (Fujian) Ltd.#	PRC	US\$10,000,000	100%	Property development

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries: (Continued)				
Coastal Greenland Development (Shenzhen) Ltd.#	PRC	US\$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd.#	PRC	RMB100,000,000	100%	Property development
Coastal Greenland Development Jiangxi Limited	PRC	US\$10,000,000	100%	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note ii)	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.#	PRC	US\$12,000,000	100%	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding
Comfort Property Management (Anshan) Ltd.#	PRC	RMB1,000,000	100%	Property management
My Home Services (Shenzhen) Ltd.#	PRC	US\$121,000	100%	Property management
My Home Services (Wuhan) Ltd.#	PRC	HK\$1,000,000	100%	Property management
Comfort Property Management (Xiamen) Ltd.#	PRC	RMB3,000,000	100%	Property management

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries: (Continued)				
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Fenhall Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Fenson Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/ Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd.^	PRC	RMB10,000,000	100%	Property development
Shanghai Coastal Greenland Real Estate Ltd.^	PRC	RMB20,000,000	100%	Investment holding
Shanghai Ling Zhi Properties Co., Ltd.^	PRC	US\$25,000,000	100%	Property investment

CGL NOTES TO FINANCIAL STATEMENTS

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries: (Continued)				
Shanghai My Home Services Co., Ltd. [^]	PRC	RMB3,000,000	100%	Property management
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Trenco Properties Limited	Hong Kong	HK\$10,000 Ordinary	100%	Investment holding
Wuhan Commercial Plaza Co., Ltd. [#]	PRC	US\$5,000,000	100%	Property investment
Xiamen Linzi Construction Development Co., Ltd. [#]	PRC	US\$5,000,000	100%	Property investment
沿海綠色家園發展(瀋陽)有限公司 [#]	PRC	US\$10,000,000	100%	Property development

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them respectively.

[#] wholly foreign owned enterprise

[^] contractual joint venture

^{*} acquired during the year

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

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

40. COMPARATIVE AMOUNTS

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

PROPERTIES HELD FOR SALE AND INVESTMENT

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2004 (sq.m.)	Interest in the development attributable to the Group	Completion date
THE PRC						
Anshan Greenland IT City Phases I, II, III and IV	North of Wangyu Road and east of Shenyang Road District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	247,047	23,573	96%	June 2000, December 2000, April 2002 and May 2003
Fuzhou International Mansion	Unit 5C, Wusi Road Gulou District Fuzhou	office		307	100%	1990 (Note 1)
Fuzhou Mansion	156-158 Hualin Road and 1 Hebian Road Gulou District Fuzhou	residential	40,443	1,770	100%	June 2003
Shanghai Golden Bridge Garden	103 Dong Zhu An Bin Road Changning District Shanghai	residential with attached commercial area	65,908	4,823	100%	November 1997
Shenzhen Dragon Court Phases I and II	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	residential/commercial	45,582	5,006	100%	March 2000 and April 2003
Wuhan Wah Zhong Trade Plaza	Liyen Alley Jiangnan District Wuhan	commercial	79,985	52,535	100%	December 1996
Wuhan Lakeside Apartment Phase I	West Airport Road and north of Jinyin Lake Dongxihu District Wuhan	residential with attached commercial area	43,000	2,709	100%	August 2003

PROPERTIES HELD FOR SALE AND INVESTMENT (Continued)

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2004 (sq.m.)	Interest in the development attributable to the Group	Completion date
Xiamen Lu Jiang New City Phases I, II, III and IV	Luling Road Lianhua Road Lianhua District Xiamen	residential with attached commercial area	143,411	14,214	100%	June 1998, August 2002, March 2003 and December 2003
Xiamen Xiang Jiang Garden	Junction of Lianhua South Road and Jiahe Road Lianhua District Xiamen	residential/commercial	99,355	6,105	100%	December 1993

Note 1: Developed by other PRC independent developer.

HONG KONG

City One Shatin	Flat C, 4th Floor Block 8 5 Tak Kei Street Hong Kong	residential		30		1981 (Notes 1, 2 and 3)
Vienna Mansion	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	residential		109		1958 (Notes 1, 2 and 3)

Note 1: The area held by the Group represent saleable area.

Note 2: These residential properties are occupied by the Group as staff quarters.

Note 3: The Group's properties in Hong Kong were developed by other independent developer.

PROPERTIES MARKETED AND THE SALE OF WHICH ARE UNDERWRITTEN BY THE GROUP

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2004 (sq.m.)	Interest in the development attributable to the Group	Completion date
Shanghai Golden Bridge Mansion	2077 Yanan West Road Changning District Shanghai	residential/ commercial	35,768	7,365	100%	August 1993

PROPERTIES UNDER DEVELOPMENT

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group	Expected year of completion (Note 1)
Anshan Greenland IT City Phase V	North of Wangyu Road and east of Shenying Road District A of Anshan Development Zone of Industries of High and New Technologies Anshan	residential with attached commercial area	44,211	96%	2004
Anshan Riviera Garden	56 Jianguo Road Lishan, Anshan	residential with attached commercial area	84,417	100%	2005
Beijing Sunvilla Realhouse Phases I and II (formerly known as Beijing Ritz Garden Villa)	Panggezhuang Town Daxing County Beijing	residential	116,474	95%	2004
Fuzhou Gushan Luxury Villa Phases I and II	Liushan Village Yangli Gushan Town Jinan District Fuzhou	residential	50,050	100%	2005

PROPERTIES UNDER DEVELOPMENT *(Continued)*

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	development attributable to the Group	Interest in the Expected year of completion (Note 1)
Shanghai Riviera Villa Phase III	Lot 53, Xinqiao Songjiang District Shanghai	residential	60,000	100%	2004
Dongguan Riviera Villa Phases I and II	Cai Bai Cun Dao Jiao District Dong Guan	residential with attached commercial area	320,000	65%	2005
Wuhan Lakeside Apartment Phases II, III and remaining phases (excluding Phase I)	West Airport Road and north of Jinyin Lake Dongxihu District Wuhan	residential with attached commercial area	308,440	100%	2004

Note 1: For projects to be completed in phases, the year given refers to the estimated year of completion of the first mentioned phase. The estimated year of completion is the best estimation of the Directors based on existing market conditions and assuming no unforeseen circumstances.

LAND USE RIGHTS HELD BY A JOINT VENTURE COMPANY

Property description	Location	Type of expected development	Site area of the whole development (sq.m.)	Interest in the development attributable to the Group
Tangshan Tourist Resort Da Wang Gang Island Lao Ting County	Tangshan	tourist resort with ancillary real estate development	5,358,774	47.5%

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

Property description	Location	Type of expected development	Site area of the whole development (sq.m.)	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group
Anshan Greenland IT City excluding Phases I, II, III, IV and V North of Wangyu Road and east of Shenyang Road, District A of Anshan Development Zone of Industries of High and New Technologies	Anshan	residential with attached commercial area	83,107	135,521	96%
Wuhan landbank (Note 1) West of Zhangbo Freeway and north of Jinshan Avenue Dongxihu District	Wuhan	residential with attached commercial area	883,843	1,414,149	100%

Note 1: Due to the changes in the urban planning and environmental policies of the local authority, part of the site of Wuhan landbank was surrendered to the authority as green area, and in line with the new policies, plot ratio of this landbank has been slashed down to approximately 1.6. The estimated GFA of this landbank is revised in accordance with the new plan.