



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)



04-05

ANNUAL REPORT



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CORPORATE INFORMATION

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PRINCIPAL REGISTRARS

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Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

REGISTRARS IN HONG KONG

Tengis Limited
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Bank of East Asia Harbour View Centre
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Hong Kong

COMPANY WEBSITE

<http://www.coastal.com.cn>

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
Mr. Wong Kai Cheong

COMPANY SECRETARY

Mr. CHENG Wing Bor FCCA, CPA

QUALIFIED ACCOUNTANT

Ms. CHEUNG Yin CPA

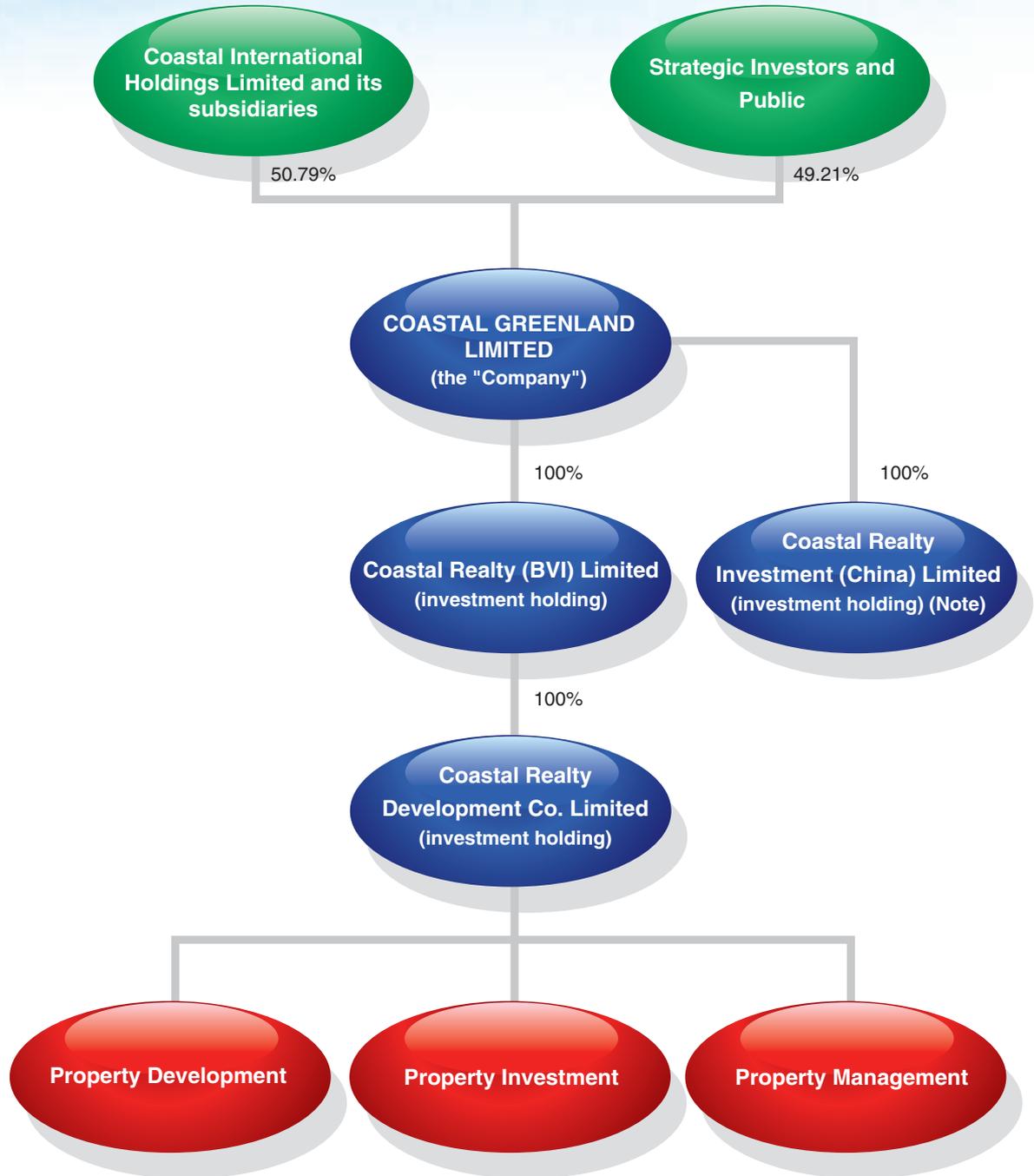
AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

1124

SHAREHOLDING STRUCTURE AND MAJOR OPERATIONS



Note: An investment holding company established in the PRC in April, 2005, which will be employed by the Company as a major investment holding company for the Group's equity investment in PRC entities.

FINANCIAL HIGHLIGHTS

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				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Turnover	552,914	841,473	610,774	201,996	355,562
Profit/(loss) before tax	146,791	91,406	24,558	(494,121)	(92,737)
Net profit/(loss) from ordinary activities attributable to shareholders	104,322	52,347	4,174	(543,597)	(90,319)
Dividends	–	–	–	–	–

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Total assets	3,883,974	3,030,509	2,650,967	2,590,632	2,952,729
Total liabilities	(2,502,812)	(1,715,055)	(1,552,289)	(1,498,035)	(1,510,242)
Minority interests	(59,315)	(48,995)	(8,682)	(6,775)	(4,154)
Net assets	1,321,847	1,266,459	1,089,996	1,085,822	1,438,333

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2005	2004
	HK\$'000	HK\$'000
Turnover by activity		
– Sale of properties	524,988	810,786
– Rental income	24,836	27,589
– Property management	3,090	3,098
Total	552,914	841,473

	Year ended 31 March	
	2005	2004
	HK\$'000	HK\$'000
Profit/(loss) before tax by activity		
– Sale of properties	112,065	120,768
– Rental income	67,589	13,574
– Property management	(3,427)	2,664
– Corporate and others	(6,312)	(9,662)
Interest income	169,915	127,344
	180	223
Profit from operating activities	170,095	127,567
Finance costs	(19,716)	(13,196)
Share of profits and losses of:		
Jointly-controlled entities	(2,993)	(18,011)
An associate	(433)	(3,913)
Amortisation of goodwill on acquisition of an associate	(162)	(1,041)
Profit before tax	146,791	91,406

CHAIRMAN'S STATEMENT



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 2005 as follows:

RESULTS

For the financial year ended 31 March 2005, the Group has recorded a turnover of about HK\$553 million and a net profit attributable to shareholders of approximately HK\$104 million. Earning per share for the year is HK cents 5.15.

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

The Group has continued to accomplish an encouraging growth in profit in the financial year. A profit attributable to shareholders of approximately HK\$104 million was recorded for the year, representing a significant increase of about 99% from last year. The ongoing development projects, which include Phase III of Shanghai Riviera Villa, sections A, B and C of Phase I of Beijing Sunvilla Realhouse and Anshan Riviera Garden have contributed to the Group's profit for the year as these projects made progresses in their sales and construction as planned.

During the year, the Group has reassessed its business strategy that a more aggressive approach has been taken to realize its longer term investment projects so as to generate additional working capital to enable the Group to take on new development projects with better profitability and cashflow potentials. As such, the Group has captured the opportunities of realizing its interests in two development projects namely, Fuzhou Gushan Luxury Villa and Tangshan Tourism Project which have resulted in making significant profit to the Group for the year. Also, capitalising on a strong demand for the commercial area in Wuhan Wah Zhong Trade Plaza, the Group has sold certain floor area in this property during the year which has also yielded considerable profit to the Group for the year.

For property leasing business, the leasing demand for Wuhan Wah Zhong Trade Plaza continued to be strong. Apart from the satisfactory results achieved from the sale of certain floor area in this property as stated in the foregoing, all the remaining lettable floor area in this property was leased out during the year. The performance of the other rental income generating property of the Group, namely Shanghai Golden Bridge Mansion, has slightly improved although the revenue contribution to the Group is not significant.

The efforts of the Group made in seeking new development projects have brought to fruition. During the year, the Group has acquired interests in four major development projects in Beijing, Shanghai, Nanchang and Chendu respectively. These developments will be developed by phases and it is expected that they will make positive contributions to the results of the Group in the coming few years.

OUTLOOK

The macro economic measures introduced by the central government to prevent an overheat in the PRC economy and the recent new government policies to cool down the real estate market in the PRC have casted a cooling effect on the buying sentiment of real estate properties in recent period. However, with an optimistic forecast on the overall development and growth of the PRC economy generally, it is expected that the PRC real estate market will develop positively in the coming few years as the demand for real estate properties is expected to be growing steadily. The Group will continue to monitor its business strategy, including the development pace of its projects and the composition of its property portfolio, with respect to the real estate market development in the PRC.

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 business partners, customers, suppliers, bankers and shareholders for their continuing support.

Chan Boon Teong

Chairman

Hong Kong

27 July 2005

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$553 million for the financial year ended 31 March 2005, a decrease of about 34% from 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			
	2005 Turnover HK\$'000	2005 Contribution to operating results HK\$'000	2004 Turnover HK\$'000	2004 Contribution to operating results HK\$'000
Sale of properties	524,988	112,065	810,786	120,768
Rental income	24,836	67,589 (Note)	27,589	13,574
Property management	3,090	(3,427)	3,098	2,664
Corporate and others	–	(6,312)	–	(9,662)
Interest income	–	180	–	223
Total	552,914	170,095	841,473	127,567

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 continues to be encouraging. The net profit attributable to shareholders for the year increased to about HK\$104 million, representing an increase of about 99% over that of last year, although the turnover decreased from last year's about HK\$841 million to about HK\$553 million in current year which is mainly attributable to a decrease in turnover for sale of properties as explained in the following paragraph.

For property sales, the turnover decreased by about HK\$286 million, from last year's about HK\$811 million to about HK\$525 million for the year. The decrease was mainly attributable to the early adoption of Hong Kong Interpretation 3 "Revenue-Pre-completion Contracts for Sale of Development Properties" by the Group for accounting the revenue of sale of property developments for the year. The principal impact of this change in accounting policy is that revenue from pre-sales of properties under development is not accounted for in the turnover for the year, whereas in prior years revenue from pre-sales of properties under development was accounted for and reflected in the turnover on a percentage of completion basis. Also, the sales of properties held as investment properties or through disposal of equity interests in the subsidiaries holding the properties were not included in the turnover for the year. The turnover for sale of properties for the year ended 31 March 2005 was mainly attributable to the sales of Phase III of Shanghai Riviera Villa, sections A, B and C of Phase I of Beijing Sunvilla Realhouse, Anshan Riviera Garden and Phases III and IV of Anshan Greenland IT City which respectively accounted for about 62.01%, 22.21%, 7.46%, and 3.76% of the turnover for sale of properties for the year. The balance of about 4.56% was contributed from sales of the remaining commercial area in Phase IV of Xiamen Lu Jiang New City, remaining residential units in Phase II of Wuhan Lakeside Apartment and Shenzhen Dragon Court and certain commercial area classified as completed properties for sale in Wuhan Wah Zhong Trade Plaza.

Note: Included in this amount of contribution to operating results is an amount of about HK\$53.90 million gain on disposal of investment properties.

BUSINESS ANALYSIS *(Continued)*

Turnover for property rental decreased by about 9.98% as compared to last year. The decrease was mainly due to the disposal during the year of a substantial portion of the commercial area in Wuhan Wah Zhong Trade Plaza so as to generate additional working capital for new development projects. The disposal has also resulted in a significant profit contribution to the Group for the year. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion has slightly improved although the revenue contribution to the Group is not significant. Based on the successful experience of the Group in Wuhan Wah Zhong Trade Plaza and as a business development opportunity, the Group acquired Shenyang Dongbei Furniture and Ornaments Plaza (see the section headed "Review of major properties and development projects" for a description of this property) during the year. Since the acquisition of this property much of the Group's effort on it has been focusing on identifying a niche market that can be held in this property. Before the launch of a new theme of market to be held in this property, only insignificant rental income was generated from the existing lessees for the year. Subsequent to the year end, the Group has successfully come into an agreement with a major PRC automobile manufacturer and vendor to develop an automobile and related accessories market in this property, which is planned to be the largest of its kind in the north-east part of the PRC. The preparation works for setting up the market, including the lining up of distributors and wholesalers to operate in this premises and the drawing up of a master marketing plan are in progress. It is anticipated that in two to three years' time the contemplated market will be established in this property and hence the value of this property will be greatly enhanced.

The income from property management operations remained stable. However a negative result of about HK\$3.43 million was recorded for the year ended 31 March 2005, which was attributable to a provision of about HK\$1.7 million made for certain aged receivables in respect of Anshan Greenland IT City and Shenzhen Great Park Garden, and an increase in general expenses for property management operations with a view to upgrading the overall quality of property management services provided to customers in a bid to enhance the brandname image of the Group.

To strengthen the management team in anticipation of business expansion, during the year the Group has added certain new recruits to its management team and has revised its human resources policy so as to attract and retain high-calibre employees which involves an increase in the remuneration level for employees in terms of basic salary, benefits in kind and performance related bonus. As a result administrative expenses increased by about 12.4% as compared to that of last year.

Comparing to last year, the amount of finance costs (mainly interest for bank and other borrowings) before capitalisation increased by about 119% to about HK\$77.97 million. The increase is mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

The net profit attributable to shareholders for the year has increased by about 99% to approximately HK\$104 million from last year's about HK\$52 million. The improvement in the performance of the Group for the year was mainly attributable to the following factors:

- (1) Satisfactory results achieved from sales of Phase III of Shanghai Riviera Villa, sections A, B and C in Phase I of Beijing Sunvilla Realhouse, and the Anshan Riviera Garden;
- (2) Significant profits realized from the sale of certain commercial area in Wuhan Wah Zhong Trade Plaza, all the interests in the Tangshan Tourism Project and in the Fuzhou Gushan Luxury Villa during the year;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS *(Continued)*

- (3) Sharing of losses of jointly-controlled entities and an associate company was narrowed down from about HK\$21.92 million in last year to about HK\$3.34 million in current year;
- (4) During the year, there were a reversal of business tax provision and a waiver of loan and interest payable totalling about 24 million.

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

- (1) An additional cost of about HK\$4.5 million was incurred for Phase II of Shenzhen Dragon Court;
- (2) Deficit in the amount totalling about HK\$6 million was resulted from the sales of the remaining units in Phases III and IV and a provision made for diminution in value of certain commercial area in Phase I of Anshan Greenland IT City; and
- (3) A provision of about HK\$14 million was made for the prepayment in respect of the acquisition of a parcel of land in Shenyang due to a uncertainty in the ability of the Group to convert the land use right of the parcel of land from agricultural use to property development use.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group continues its business strategy of mainly 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. was completed. As at the end of the year, about 95% of the GFA in these four phases was sold. The remaining area with a GFA of about 6,581 sq.m., excluding the clubhouse with a GFA of 6,320 sq.m. held by the Group as an investment property, was held for sale by Group.

The construction of Phase V with a total GFA of 44,211 sq.m. was started in May 2003 and was completed in June 2005. As at the end of the year about 52% of the GFA had been pre-sold.

During the year, the Group had deployed the remaining site area of 83,107 sq.m. from its Anshan Greenland IT City landbank for the development of Phase VI with a total GFA of about 145,000 sq.m. The construction of Phase VI was started in May 2005 and is expected to be completed in June 2007. Pre-sale of the development is planned to be commenced in December 2005.

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

Anshan Riviera Garden

This is the 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 development was divided into two sections. During the year, one of the sections was completed and the remaining section is expected to be completed in November 2005. As at the end of the year the Group had sold and pre-sold about 88% of the GFA in this development

Beijing Silo City

Beijing Silo City is a newly acquired development in which the Group has a 49.75% equity interest. The development has a total site area of about 250,000 sq.m. and is planned to be developed as a residential/commercial/leisure complex with a GFA of about 850,280 sq.m. The development is being carried out in phases.

The construction of Phase I with a total GFA about 89,572 sq.m. was started in December 2004 and is expected to be completed in June 2006. Pre-sale of Phase I was started in June 2005.

Beijing Sunvilla Realhouse

The development comprises a villa estate. During the year, the Group has acquired an additional piece of land with a site area of about 74,421 sq.m adjoining to the existing development, making the total site area for this development to reach about 484,421 sq.m. The additional site is to be developed as Phase III with a total GFA of about 22,895 sq.m. The first two phases of the development have a total GFA of about 116,474 sq.m.

The construction of Phase I with a GFA of about 69,156 sq.m. was started in September 2002. During the year, the construction of sections A, B and C in Phase I with a GFA of about 29,907 sq.m. was completed and the construction of the remaining sections is expected to be completed in December 2005. As at the end of the year the Group had sold and pre-sold about 43% of the GFA in the Phase I.

The construction of Phase II with a GFA of about 47,318 sq.m. was started in January 2005 and is planned to be completed in September 2006. Pre-sale of the phase is planned to be commenced in December 2005.

The construction of Phase III with a GFA of about 22,895 sq.m. is planned to be started in March 2006 and is expected to be completed in early 2007.

Dongguan Riviera Villa

Dongguan Riviera Villa 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 Phase I with a total GFA of approximately 123,900 sq.m. was started in September 2004 and is expected to be completed in January 2006. Pre-sale of the development is planned to be commenced in September 2005.

The construction Phase II with a total GFA of approximately 156,090 sq.m. is planned to be started in January 2006 and is expected to be completed in early of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

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 car parking spaces with a GFA of about 1,507 sq.m. was held for sale by the Group.

Fuzhou Gushan Luxury Villa

During the year, the Group sold all its interests in this development resulting considerable profit contribution to Group for the year.

Jiangxi Riviera Garden

Jiangxi Riviera Garden with a site area of about 186,394 sq.m. is a new development acquired by the Group during the year. The development is planned to be a low density residential estate with ancillary facilities and attached commercial area and is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 98,900 sq.m. was started in February 2005 and is planned to be completed in July 2006. Pre-sale of the development is planned to be commenced in October 2005.

The construction of Phase II with a total GFA of approximately 136,000 sq.m. is planned to be started in May 2006 and is expected to be completed in late 2007.

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 car parking spaces with 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 was carried out in three phases.

The construction of all phases with a total GFA of 189,939 sq.m. had been completed. As at the end of the year all the residential area in the development had been sold. A clubhouse with a GFA of 6,320 sq.m. was held by the Group as an investment property.

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

Shanghai Riviera Garden

Shanghai Riviera Garden is a new development acquired by the Group during the year. The site of this development is nearby the Group's development, Shanghai Riviera Villa. The development is a low density residential estate with a site area of 326,118 sq.m. and is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 131,143. sq.m. was started in June 2005 and is planned to be completed in November 2006. Pre-sale of the development is planned to be commenced in November 2005.

The construction of Phase II with a total GFA of approximately 156,817 sq.m. is planned to be started in September 2006 and is expected to be completed in December 2007.

Shenyang Dongbei Furniture and Ornaments Plaza

Shenyang Dongbei Furniture and Ornaments Plaza is a newly acquired investment property developed by an independent PRC developer. The property comprises two office buildings of 2 and 7 storeys respectively, a 5-storey exhibition centre, an 8-storey guest house, four single storey warehouses, a carport and various business shops. The total GFA of this property is 149,752 sq.m. As at the end of the year, the Group held a total GFA of about 80,752 sq.m. in this property as investment property.

The Group is currently working towards the establishment of an automobile and related accessories market in this property, which is planned to be the largest of its kind in the north-east part of the PRC. Rental income generated from the existing lessees for the year is not significant.

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 90% of the GFA in these phases had been sold. The remaining area (comprising mainly car parking spaces) with a GFA 3,532 sq.m., excluding the club house with a GFA of 1,200 sq.m. is held by the Group as an investment property, was held for sale by Group.

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 had sold all the GFA held in level 3 to level 6 in the property realizing significant profit for the year. Subsequent to the end of the year, the Group had also sold all the GFA of 7,728 sq.m. held in level 2 of the property. A remaining GFA of 10,680 sq.m. comprises level 1 of the property and car parking spaces in the basement is currently held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 being carried out in phases.

The construction of Phase I and Phase II with a total GFA of 109,445 sq.m. had been completed. As at the end of the year all the residential area had been sold and the remaining commercial area with a GFA of 2,170 sq.m., excluding the clubhouse with a GFA of 1,670 sq.m. held by the Group as an investment property, was held for sale by Group.

The construction of Phase III with a total GFA about 98,995 sq.m. was started in March 2004 and has been completed in July 2005. Pre-sale of Phase III was started in July 2004. As at the end of the year about 91% of the GFA had been pre-sold.

The construction of Phase IV with a total GFA about 73,802 sq.m. was started in December 2004 and is expected to be completed in March 2006. Pre-sale of Phase IV has commenced in May 2005.

During the year, the Group entered into a joint development agreement with an independent third party ("third party developer") to develop the remaining site area of 79,831 sq.m. in the development. Under the agreement, the third party developer is wholly responsible for the development of the property and the Group will receive a guaranteed return from the third party developer. Payments of the guaranteed return will be made according to an agreed schedule with the last payment falling due upon the completion of all the obligations of the Group under the agreement. As at the end of the year the Group has received about 51% of the guaranteed return which was accounted for as deposits received before the completion of all the obligations of the Group under the agreement. Subsequent to the end of the year, the Group has completed all its obligations under the agreement in July 2005 and all the payments for the guaranteed return have been received by the Group.

Wuhan Silo City

During the year, the Group had deployed the entire site area of 883,843 sq.m. from its Wuhan landbank for the development of Wuhan Silo City which is planned as a large-scale development with a total GFA about 1,460,000 sq.m. mainly comprises both residential and commercial area. The development is planned to be carried out in phases.

The construction of Phase I with a total GFA about 200,000 sq.m. is planned to be started in October 2005 and is expected to be completed in June 2007. Pre-sale of Phase I is scheduled to be in March 2006.

Xiamen Lu Jiang New City

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

As at the end of the year, all phases in the development with a total GFA of approximately 143,411 sq.m. had been completed and all the residential area had been sold. The remaining area (comprising commercial area and car parking spaces) with a GFA of 12,921 sq.m., excluding the club house with a GFA of 1,054 sq.m. held by the Group as an investment property, was held for sale by the Group.

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

Xiamen Xiang Jiang Garden

The development is a residential/commercial development completed in December 1993. Substantially all the GFA in the development had been sold in prior years. During the year, the Group sold all the car parking spaces it held in the development. As at the end of the year, the remaining unsold GFA held by the Group is a minimal amount of commercial area.

Tangshan Tourism Project

During the year, the Group sold all its interests in Tangshan Tourism Project making a profit contribution to the Group's results for the year.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

During the year, the Group had deployed the entire site area of 883,843 sq.m. and the remaining area of 83,107 sq.m from its Wuhan and Anshan Greenland IT City landbank respectively. These two site areas are capable of developing into properties with a total GFA of about 1,605,000 sq.m.

As at the end of the year, the Group has the following landbank which were acquired during the year.

Landbank	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Interests of the development attributable to the Group
Beijing Silo City (excluding Phase I)	222,427	770,428	49.75%
Chengdu landbank	280,668	222,534	90.00%
Total	503,095	992,962	

The landbank are capable of being developed into properties with a total GFA of approximately 992,962 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, certain negotiations are underway between the Group and a number of independent third parties regarding acquisition of certain land parcels in major cities of the PRC. There is no assurance that these negotiations will bring to fruition in future.

Please refer to the Schedule of Major Properties on pages 87 to 90 of the annual report for further information about the properties and development projects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 March 2005, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

At 31 March 2005, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged deposits, amounted to about HK\$917 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 31.15% to about 69.38% from about 38.23% last year. The increase in the net debt to equity ratio is mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

BORROWINGS AND CHARGES

At 31 March 2005, 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	8,756
Bank loans repayable:	
Within one year or on demand	252,580
In the second year	431,506
In the third to fifth years, inclusive	–
	684,086
Other loans repayable:	
Within one year	520,876
In the second year	3,484
In the third to fifth years, inclusive	10,808
Beyond five years	13,978
	549,146
	1,241,988

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

	HK\$'000
Renminbi	1,184,834
Hong Kong dollars	44,706
United States dollars	12,448
	1,241,988

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 2005 of approximately HK\$177 million;
 - (ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2005 of approximately HK\$2,263 million;
 - (iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2005 of approximately HK\$59 million;
 - (iv) Corporate guarantees from the Company and certain of its subsidiary companies; and
- (b) Certain other loans are secured by the 100% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company at 31 March 2005.

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 which will cause a material adverse impact on the Group's operations. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,669 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.

BIOGRAPHY OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chan Boon Teong, aged 63, 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 34 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 also an independent non-executive 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 47, 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 21 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 47, 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 17 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 45, is the financial controller of the Group. He is responsible for the financial and accounting management of the Group. He has over 19 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 Institute of Certified Public Accountants and a fellow of the Association of Chartered 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 61, 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 DIRECTOR

Mr. Zheng Hong Qing, aged 57, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Lap Yan, aged 60, 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 37, 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 Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Law is currently practising as a certified public accountant in Hong Kong.

Mr. Wong Kai Cheong, aged 43, an independent non-executive director of the Company appointed in 2004. Mr. Wong is an associate member of the Hong Kong Spacing Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom. Mr. Wong is currently practising as a certified public accountant in Hong Kong. Mr. Wong is also an independent non-executive director of U-RIGHT International Holdings Limited, a listed company in Hong Kong.

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 86.

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 adjusted for the retrospective effect of the change in accounting policy, 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

There was no movement in the Company's authorised or issued share capital and 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 34 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2005, 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\$640,246,000. In addition, the Company's share premium account, in the amount of HK\$330,080,000 as at 31 March 2005, 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
Wong Kai Cheong (appointed on 29 July 2004, retired on 3 September 2004 and reappointed on 6 September 2004)

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

According to Bye-Law 86(2), the term of Mr. Wong Kai Cheong as an independent non-executive director shall terminate at the conclusion of the forthcoming annual general meeting and, being eligible, will offer himself for re-election thereat.

The Company has received annual confirmations of independence from Messrs. Tang Lap Yan, Law Kin Ho and Wong Kai Cheong and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 18 to 19 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 in note 39 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

At 31 March 2005, 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 Issuers, 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 33 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(B) Interests in shares of associated corporations of the Company

Long positions in shares of Coastal International Holdings Limited ("CIH") (a 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%

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.

Save as disclosed above, at 31 March 2005, 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 Issuers.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 33 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 2005, 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 Delta Force Investments Limited	Family (Note 1) Corporate (Note 2)	1,027,890,527 125,210,526	6,400,000 –	51.1 6.19
Cheang Sin Nga Success Essence Investments Limited	Corporate (Note 2) Corporate (Note 3)	125,210,526 184,210,526	– –	6.19 9.1
Huang Bin Profit Channel Investments Limited	Corporate (Note 3) Corporate (Note 4)	184,210,526 147,368,421	– –	9.1 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 33 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 125,210,526 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in force prior to the accounting period commencing on 1 January 2005, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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
27 July 2005

REPORT OF THE AUDITORS



To the members

Coastal Greenland Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 86 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 Institute of Certified Public 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 2005 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
27 July 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
TURNOVER	5	552,914	841,473
Cost of sales		(437,509)	(685,273)
Gross profit		115,405	156,200
Other revenue and gains		141,530	32,377
Marketing and selling costs		(4,141)	(2,438)
Administrative expenses		(48,334)	(43,000)
Other operating expenses, net		(34,365)	(15,572)
PROFIT FROM OPERATING ACTIVITIES	6	170,095	127,567
Finance costs	7	(19,716)	(13,196)
Share of profits and losses of:			
Jointly controlled entities		(2,993)	(18,011)
An associate		(433)	(3,913)
Amortisation of goodwill on acquisition of an associate	19	(162)	(1,041)
PROFIT BEFORE TAX		146,791	91,406
Tax	10	(43,661)	(41,910)
PROFIT BEFORE MINORITY INTERESTS		103,130	49,496
Minority interests		1,192	2,851
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	104,322	52,347
EARNINGS PER SHARE – Basic	12	5.15 HK cents	2.91 HK cents
EARNINGS PER SHARE – Diluted	12	Not applicable	Not applicable

CONSOLIDATED BALANCE SHEET

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	492,770	434,497
Properties under development	15	1,553,806	135,800
Properties held for development	16	108,377	1,162,752
Goodwill:	17		
Goodwill		8,553	21,757
Negative goodwill		(119,706)	–
Interests in jointly-controlled entities	18	207,855	80,813
Interest in an associate	19	–	20,309
Long term investments	20	19,240	19,240
Pledged deposits	21	88,170	22,775
Prepayments	22	38,579	173,748
		2,397,644	2,071,691
CURRENT ASSETS			
Properties under development for sale	15	907,651	392,282
Completed properties for sale	23	125,875	163,939
Trade receivables	24	30,590	38,633
Prepayments, deposits and other receivables	39(e)	119,673	83,409
Short term investment	25	61,604	–
Tax recoverable		4,254	4,311
Pledged deposits	21	–	6,319
Cash and bank balances		236,683	269,925
		1,486,330	958,818
CURRENT LIABILITIES			
Due to the ultimate holding company	26	27,265	88,231
Trade payables	27	104,140	112,679
Tax payable		64,742	13,163
Deposits received		50,820	21,282
Other payables and accruals		303,305	188,856
Due to a minority shareholder		–	1,449
Interest-bearing bank and other borrowings	28	782,212	425,283
		1,332,484	850,943
NET CURRENT ASSETS		153,846	107,875
TOTAL ASSETS LESS CURRENT LIABILITIES		2,551,490	2,179,566

CONSOLIDATED BALANCE SHEET *(Continued)*

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT LIABILITIES			
Deposits received		19,173	12,578
Interest-bearing bank and other borrowings	28	459,776	357,996
Long term payables	29	8,695	41,642
Deferred tax	30	680,794	450,063
Provision for long service payments	31	1,890	1,833
		1,170,328	864,112
MINORITY INTERESTS			
		59,315	48,995
		1,321,847	1,266,459
CAPITAL AND RESERVES			
Issued capital	32	202,400	202,400
Reserves	34	1,119,447	1,064,059
		1,321,847	1,266,459

Chan Boon Teong
Director

Jiang Ming
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Total equity at 1 April		1,266,459	1,089,996
Issue of shares, including share premium		–	120,000
Share issue expenses	34	–	(900)
Surplus on revaluation of investment properties	34	–	10,585
Revaluation reserve eliminated upon transfer of properties held for development to properties under development	34	(13,362)	(5,569)
Net gains/(losses) not recognised in the profit and loss account		(13,362)	5,016
Revaluation reserve released on disposal of investment properties	34	(35,572)	–
Net profit for the year		104,322	52,347
Total equity at 31 March		1,321,847	1,266,459

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		146,791	91,406
Adjustments for:			
Finance costs	7	19,716	13,196
Share of profits and losses of jointly-controlled entities and associate		3,426	21,924
Interest income	6	(180)	(223)
Depreciation	6	9,059	6,725
Goodwill amortisation		2,037	5,333
Loss on disposal of fixed assets	6	666	93
Gain on disposal of investment properties	6	(53,903)	–
Reversal of business tax provision	6	(10,655)	–
Waiver of loan and interest payables	6	(13,685)	–
Gain on disposal of subsidiaries	6	(47,966)	–
Revaluation surplus on leasehold land and buildings	6	(1,440)	(410)
Provision for impairment of properties under development	6	–	3,668
Provision for long service payments	6	57	175
Provision for prepayment	6	14,000	–
Operating profit before working capital changes		67,923	141,887
Increase in properties under development		(256,145)	(455,683)
Decrease/(increase) in properties held for development		22,140	(10,527)
Decrease in completed properties for sale		334,577	556,309
Decrease in trade receivables		8,667	10,847
Decrease/(increase) in prepayments, deposits and other receivables		6,465	(33,263)
Decrease in trade payables		(62,254)	(53,567)
Increase/(decrease) in other payables and accruals		11,883	(18,332)
Increase/(decrease) in deposits received		36,133	(14,959)
Increase in long term payables		303	–
Cash generated from operations		169,692	122,712
Interest received		180	223
Interest paid		(77,968)	(35,580)
Overseas taxes paid		(27,836)	(16,668)
Net cash inflow from operating activities		64,068	70,687

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets	14	(10,894)	(6,699)
Proceeds from disposal of fixed assets		208,645	2,202
Increase in net amounts due to jointly-controlled entities		7,970	9,587
Investment in a jointly-controlled entity		(301,852)	(19,516)
Increase in short term investment		(61,604)	–
(Increase)/decrease in pledged deposits		(59,076)	23,766
Decrease in time deposits		–	571
Prepayments paid for the acquisition of non-current assets		(24,995)	(152,373)
Acquisition of subsidiaries	35(b)	(64,985)	–
Disposal of subsidiaries	35(c)	101,193	–
Disposal of interest in an associate		19,714	–
Net cash outflow from investing activities		(185,884)	(142,462)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from minority shareholder of a subsidiary		–	29,390
Share issue expenses		–	(900)
New bank borrowings and other loans		608,789	533,116
Repayment of bank borrowings and other loans		(598,263)	(366,913)
Increase/(decrease) of bank overdraft		(397)	830
Increase/(decrease) in an amount due to the ultimate holding company		(60,966)	46,088
Decrease in an amount due to a minority shareholder		6	(325)
Advance from a jointly-controlled entity		139,405	–
Net cash inflow from financing activities		88,574	241,286
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(33,242)	169,511
Cash and cash equivalents at beginning of year		269,925	100,414
CASH AND CASH EQUIVALENTS AT END OF YEAR		236,683	269,925
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		236,683	269,925

BALANCE SHEET

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	13	1,135,133	1,167,718
Interest in an associate	19	–	25,263
		1,135,133	1,192,981
CURRENT ASSETS			
Cash and bank balances		367	8
Prepayments and other receivables	39(e)	39,896	–
		40,263	8
CURRENT LIABILITIES			
Other payables and accruals		1,685	1,275
NET CURRENT ASSETS/(LIABILITIES)		38,578	(1,267)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,173,711	1,191,714
NON-CURRENT LIABILITIES			
Provision for long service payments	31	985	909
		1,172,726	1,190,805
CAPITAL AND RESERVES			
Issued capital	32	202,400	202,400
Reserves	34	970,326	988,405
		1,172,726	1,190,805

Chan Boon Teong
Director

Jiang Ming
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2005

1. CORPORATE INFORMATION

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

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

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

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain properties held for development, certain fixed assets and short term investment, as further explained below.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Jointly-controlled entities

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

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

Associates

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

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

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

Goodwill

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

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

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

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

Goodwill *(Continued)*

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

Negative goodwill

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

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

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

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

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

Impairment of assets

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Impairment of assets *(Continued)*

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

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

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

Fixed assets and depreciation

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

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

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

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

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

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

Investment properties

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

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

Properties under development and properties under development for sale

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

Properties under development which have been pre-sold prior to 1 April 2004 are stated at cost plus attributable profits less sale deposits/instalments received and receivable and any foreseeable losses. When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the prior accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sale deposits/instalments received, with due allowances for contingencies.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Properties held for development

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

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

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

Completed properties for sale

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

Leased assets

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

Long term investments

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

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

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

Short term investment

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Income tax *(Continued)*

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

Foreign currencies

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

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

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

Borrowing costs

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

Revenue recognition

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

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

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

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

Share option schemes

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

Retirement benefits schemes

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Related parties

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

Cash and cash equivalents

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

4. SEGMENT INFORMATION

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

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

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

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

There were no inter-segment sales and transfers during the year (2004: Nil).

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

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

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

Group

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

5. TURNOVER

Turnover represents gross proceeds, net of returns, from the sale of properties and pre-sale of properties under development, adjusted to reflect the progress of the development for pre-completion contracts entered into prior to 1 April 2004, together with gross rental income and property management income.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES (Continued)

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

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

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

7. FINANCE COSTS

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

8. DIRECTORS' REMUNERATION

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

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

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

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

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$50,000 (2004: HK\$50,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2004: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2004: one) non-director, highest paid individual for the year fell within the band of Nil – HK\$1,000,000, details of which are as follows:

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

10. TAX

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

10. TAX (Continued)

In the prior year, no provision for LAT had been made by a jointly controlled entity of the Group in respect of the gain on disposal of certain land held by the jointly controlled entity as the jointly controlled entity had not been required by the relevant authorities to pay LAT and the directors of the Company consider that it is unlikely that the tax authorities will demand payment of LAT, estimated to be approximately HK\$14 million.

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

Group – 2005

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

Group – 2004

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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company, was a net loss of approximately HK\$18,079,000 (2004: HK\$383,546,000) (note 34).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$104,322,000 (2004: HK\$52,347,000) and the 2,024,000,000 (2004: weighted average of 1,796,602,740) shares in issue during the year.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the years ended 31 March 2005 and 2004, the outstanding share options have no dilution effect on the basic earnings per share for the years ended 31 March 2005 and 2004.

13. INTERESTS IN SUBSIDIARIES

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

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

Further particulars of the principal subsidiaries are set out in note 41 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

14. FIXED ASSETS

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

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

14. FIXED ASSETS (Continued)

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

The Group's leasehold land and buildings in Hong Kong were revalued at 31 March 2005 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$4,880,000 on an open market, existing use basis. A revaluation surplus of HK\$1,440,000 resulting from the above valuation has been credited to the profit and loss account.

Had the Group's total leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$8,685,000 (2004: HK\$9,168,000).

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

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

All of the Group's investment properties in the PRC were revalued at 31 March 2005 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$458,184,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

15. PROPERTIES UNDER DEVELOPMENT

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

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

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

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

16. PROPERTIES HELD FOR DEVELOPMENT

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

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

The properties as at 31 March 2004 included certain properties held for development amounting to approximately HK\$637 million, for which the Group has obtained only provisional land use right certificates. The procedures for the issue of provisional land use right certificates and full formal land use rights certificates, together with details of the further land grant fees payable to the local government authorities in connection with the land use rights, are set out in note 29 to the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

17. GOODWILL AND NEGATIVE GOODWILL

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

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

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

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

The amount of the negative goodwill remaining in consolidated reserves as at 31 March 2005, arising from acquisitions of subsidiaries prior to the adoption of the SSAP in 2002, is as follows:

Group	Negative goodwill credited to consolidated capital reserve HK\$'000
At cost:	
At beginning of year and 31 March 2005	9,852

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

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

Except for an amount of approximately HK\$139,405,000 which bears interest at 10% per annum and is repayable within one year, the balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration	Group's percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Beijing Gaosheng Real Estate Company Limited**	Corporate	PRC	49.75	49.75	49.75	Property development
New Shanghai International Property Management Co., Ltd.*	Corporate	PRC	30	43	30	Property management
Qingdao Coastal Realty Development Co., Ltd.*	Corporate	PRC	50	25	50	Dormant
Tianjin Coastal Greenland Real Estate Co., Ltd.*	Corporate	PRC	70	60	70	Dormant
Tangshan New Island Tourism Development Company Limited##	Corporate	PRC	45	25	45	Property development

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

Acquired during the year.

Disposed of during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

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

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

19. INTEREST IN AN ASSOCIATE

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	–	–	–	22,897
Share of net assets	–	14,760	–	–
Goodwill on acquisition	–	3,183	–	–
	–	17,943	–	22,897
Loan to an associate	–	2,366	–	2,366
	–	20,309	–	25,263
<hr/>				

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

19. INTEREST IN AN ASSOCIATE (Continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2005

20. LONG TERM INVESTMENTS

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

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

21. PLEDGED DEPOSITS

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

22. PREPAYMENTS

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

23. COMPLETED PROPERTIES FOR SALE

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

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

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

24. TRADE RECEIVABLES

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

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

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

25. SHORT TERM INVESTMENT

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

26. DUE TO THE ULTIMATE HOLDING COMPANY

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

27. TRADE PAYABLES

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

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

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28. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

- (a) Certain of the Group's bank loans are secured by:
- (i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$177 million (note 14);
 - (ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$2,263 million (note 15);
 - (iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$17 million (note 23); and
 - (iv) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million and the 100% equity interest in Shanghai Xinghongda Real Estate Ltd. ("XHD") (see (i) below) at 31 March 2005. Certain other loans as at 31 March 2004 were secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million and a 50% equity interest in Shanghai Coastal Golden Bridge Real Estate Ltd. ("Shanghai Golden Bridge") (see (ii) below). Both XHD and Shanghai Golden Bridge are wholly-owned subsidiaries of the Company. The other loans bear interest at rates ranging from 5% to 12% per annum.
- (i) In May 2004, Shanghai Golden Bridge and Shanghai Coastal Greenland Real Estate Ltd. ("Shanghai Coastal Greenland"), a wholly-owned subsidiary of the Group, entered into sale and purchase agreements with two PRC vendors (the "PRC Vendors") for the acquisition of 66% and 34% equity interests in XHD, respectively, for a total consideration of approximately HK\$307 million (RMB330 million). The acquisition of the 34% equity interest in XHD by Shanghai Coastal Greenland was completed on 15 September 2004. To finance the acquisition of XHD by the Group and the ongoing project development of XHD after being acquired by the Group, in September 2004, Shanghai Golden Bridge and Shanghai Coastal Greenland entered into various agreements (the "XHD Agreements") with two PRC companies (the "XHD Lenders") for a bridging loan of approximately HK\$411 million (RMB442 million) (the "XHD Transaction").

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

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

(b) (i) *(Continued)*

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

- (ii) During the prior year, in December 2003, Shanghai Ling Zhi Properties Co., Ltd. ("Ling Zhi"), a wholly-owned subsidiary of the Company, entered into various agreements (collectively the "SGB Agreements") with a PRC company (the "SGB Lender") for a bridging loan of approximately HK\$35.7 million (RMB38.4 million) for financing a property project of Shanghai Golden Bridge in the PRC (the "SGB Transaction"). Under the SGB Agreements, Ling Zhi disposed of its 50% equity interest in Shanghai Golden Bridge to the SGB Lender for a consideration of HK\$44.6 million (RMB48 million) and the SGB Lender is not entitled to any pre-acquisition retained profits of Shanghai Golden Bridge attributable to the 50% equity interest. The Group has both the rights and obligations to repurchase the 50% equity interest in Shanghai Golden Bridge from the SGB Lender at the original consideration of HK\$44.6 million (RMB48 million) within 30 days after 10 months from the date of the original transfer of the 50% interest. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of Shanghai Golden Bridge. As at 31 March 2004, the Group has paid a deposit of HK\$8.9 million (RMB9.6 million) to the SGB Lender in respect of the repurchase obligation.

Under the SGB Agreements, the SGB Lender is entitled to an upfront service fee of HK\$1.4 million (RMB1.5 million) for a period of 11 months commencing the date of payment of the purchase consideration by the SGB Lender to the Group. In addition, the SGB Lender is entitled to a guaranteed profit of HK\$3.2 million (RMB3.4 million) from Shanghai Golden Bridge in return for surrendering the management and operating rights in relation to the 50% equity interest held by the SGB Lender in Shanghai Golden Bridge. Ling Zhi has also executed a legal charge over certain of its properties with an aggregate carrying value of HK\$15.4 million in favour of the SGB Lender in respect of its various obligations under the SGB Agreements. The Group has accounted for the net proceeds of HK\$35.7 million (RMB38.4 million) received from the SGB Lender as an other loan and the service fee and guaranteed profit paid and payable to the SGB Lender as finance costs, respectively, in the prior year's financial statements to reflect the commercial substance of the SGB Transaction. In the current year, the Group repurchased the 50% equity interest in Shanghai Golden Bridge from the SGB Lender according to the SGB Agreements.

29. LONG TERM PAYABLES

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

At 31 March 2005, the long term payables mainly represented contract deposits received from the contractors of the property projects. The long term payables as at 31 March 2004 mainly represented land grant fees due in respect of the acquisition of land use rights in the PRC.

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

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

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30. DEFERRED TAX

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

Deferred tax liabilities

Group	2005			
	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2004	10,744	355,017	84,302	450,063
Deferred tax credited to the profit and loss account during the year (note 10)	–	–	(25,496)	(25,496)
Deferred tax credited to equity during the year	–	(17,519)	–	(17,519)
Deferred tax adjusted to negative goodwill (note 35(b))	273,746	–	–	273,746
Gross deferred tax liabilities at 31 March 2005	284,490	337,498	58,806	680,794
Group	2004			
	Fair value adjustments arising from acquisition of a subsidiary HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2003	10,744	349,691	63,332	423,767
Deferred tax charged to the profit and loss account during the year (note 10)	–	–	20,970	20,970
Deferred tax charged to equity during the year	–	5,326	–	5,326
Gross deferred tax liabilities at 31 March 2004	10,744	355,017	84,302	450,063

The Group has tax losses arising in Hong Kong of HK\$64,565,000 (2004: HK\$60,488,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

31. PROVISION FOR LONG SERVICE PAYMENTS

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

32. SHARE CAPITAL**Shares**

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

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

Share options

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

NOTES TO FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEMES

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

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

(a) Purposes of the Scheme 2002

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

(b) Eligible participants ("Participants")

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

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

33. SHARE OPTION SCHEMES *(Continued)***(b) Eligible participants (“Participants”)** *(Continued)*

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

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

(c) Maximum number of shares

- (i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company.
- (iii) At 31 March 2005, the number of shares issuable under share options granted under the Scheme 1997 was 62,720,000, which represented approximately 6.1% of the Company’s shares in issue at that date.

(d) Maximum entitlement of each Participant

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

(e) Grant of options to connected persons

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

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33. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

(f) Time of acceptance and exercise of an option

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

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

(g) Basis of determining the option exercise price

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

33. SHARE OPTION SCHEMES (Continued)

(h) Period of the Scheme 2002

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

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

Name or category of participant	Number of share options					Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽³⁾	Exercise price of share options ⁽²⁾ HK\$
	At 1 April 2004	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2005			
Directors								
Chan Boon Teong	6,400,000	-	-	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	-	-	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	-	-	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	-	-	-	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	-	-	-	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	-	-	-	35,520,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	-	-	-	62,720,000			

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (3) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.

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

NOTES TO FINANCIAL STATEMENTS

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34. RESERVES

Group	Share	Contributed surplus	Capital reserve	Land and	Investment	Properties	Exchange fluctuation reserve	Retained profits	PRC	Total
	premium account			revaluation reserve	property revaluation reserve	held for development revaluation reserve			reserve funds	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Note)	HK\$'000
At 1 April 2003	310,980	131,803	10,781	4,863	43,966	18,931	(472)	463,037	3,707	987,596
Issued of shares	20,000	-	-	-	-	-	-	-	-	20,000
Share issue expenses	(900)	-	-	-	-	-	-	-	-	(900)
Surplus on revaluation	-	-	-	-	10,585	-	-	-	-	10,585
Revaluation reserve eliminated upon transfer of properties held for development to properties under development	-	-	-	-	-	(5,569)	-	-	-	(5,569)
Net profit for the year	-	-	-	-	-	-	-	52,347	-	52,347
Transfer	-	-	-	-	-	-	-	(2,366)	2,366	-
At 31 March 2004 and 1 April 2004	330,080	131,803	10,781	4,863	54,551	13,362	(472)	513,018	6,073	1,064,059
Revaluation reserve eliminated upon transfer of properties held for development to properties under development	-	-	-	-	-	(13,362)	-	-	-	(13,362)
Revaluation reserve released on disposal of investment properties	-	-	-	-	(35,572)	-	-	-	-	(35,572)
Net profit for the year	-	-	-	-	-	-	-	104,322	-	104,322
Transfer	-	-	-	-	-	-	-	(3,624)	3,624	-
At 31 March 2005	330,080	131,803	10,781	4,863	18,979	-	(472)	613,716	9,697	1,119,447
Reserves retained by:										
Company and subsidiaries	330,080	131,803	10,781	4,863	18,979	-	(472)	616,709	9,697	1,122,440
Jointly-controlled entities	-	-	-	-	-	-	-	(2,993)	-	(2,993)
31 March 2005	330,080	131,803	10,781	4,863	18,979	-	(472)	613,716	9,697	1,119,447
Reserves retained by:										
Company and subsidiaries	330,080	131,803	10,781	4,863	54,551	13,362	(472)	537,348	6,073	1,088,389
Jointly-controlled entities	-	-	-	-	-	-	-	(20,417)	-	(20,417)
Associate	-	-	-	-	-	-	-	(3,913)	-	(3,913)
31 March 2004	330,080	131,803	10,781	4,863	54,551	13,362	(472)	513,018	6,073	1,064,059

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

34. RESERVES (Continued)

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003	310,980	2,409,483	(1,367,612)	1,352,851
Issue of shares	20,000	–	–	20,000
Share issue expenses	(900)	–	–	(900)
Net loss for the year	–	–	(383,546)	(383,546)
At 31 March 2004 and beginning of year	330,080	2,409,483	(1,751,158)	988,405
Net loss for the year	–	–	(18,079)	(18,079)
At 31 March 2005	330,080	2,409,483	(1,769,237)	970,326

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

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

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

- (i) During the prior year, the Company allotted and issued 1,000,000,000 ordinary shares of HK\$0.10 each in satisfaction of the consideration for the acquisition of a 100% interest in Carry Investment Limited, a 70% interest in China Max Development Limited and a 20% interest in Unicorn Power Limited, whose principal assets are their respective interests in a joint venture company as detailed in note 39(d) to the financial statements.
- (ii) During the prior year, the Group made a prepayment of HK\$21,375,000, which was satisfied by certain of the Group's completed properties for sale and properties under development for sale, in connection with the acquisition of a subsidiary incorporated in Hong Kong. The acquisition was not completed as at the prior year's balance sheet date.

NOTES TO FINANCIAL STATEMENTS

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

(b) Acquisition of subsidiaries

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

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

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

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

(b) Acquisition of subsidiaries (Continued)

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

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

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

(c) Disposal of subsidiaries

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

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35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(c) Disposal of subsidiaries (Continued)

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

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

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

36. CONTINGENT LIABILITIES

At 31 March 2005, the Group had given guarantees to the extent of approximately HK\$584,846,000 (2004: HK\$339,921,000) to banks in respect of mortgage loan facilities granted by the banks to buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group, and in respect of certain borrowings of a jointly controlled entity.

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

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	23,773	22,575
In the second to fifth years, inclusive	55,846	22,570
After five years	–	428
	79,619	45,573

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

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to over 5 years.

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

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

38. COMMITMENTS

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

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

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

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39. RELATED PARTY TRANSACTIONS

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

- (a) In the prior year, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans aggregating HK\$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 31 March 2005, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to HK\$41.9 million (2004: HK\$41.9 million) (note 23) and HK\$31.1 million (2004: HK\$34.1 million) (note 28), respectively.
- (b) During the year, the Group executed corporate guarantees amounting to approximately HK\$368 million for certain borrowings of a jointly controlled entity.
- (c) In the current year, the Group incurred interest expense of approximately HK\$3,485,000 in relation to an advance of approximately HK\$139 million, which is unsecured, interest bearing at 10% per annum and repayable within one year, from a jointly controlled entity.
- (d) During the prior year, on 17 April 2003, the Company entered into various acquisition agreements with Coastal Enterprise Group Limited, a wholly-owned subsidiary of CIH, and three independent third parties for considerations of approximately HK\$48,421,000 and HK\$51,579,000, respectively, in relation to the acquisition of a 100% interest in Carry Investment Limited ("Carry"), a 70% interest in China Max Development Limited ("China Max") and a 20% interest in Unicorn Power Limited ("Unicorn"). Carry, China Max and Unicorn are investment holding companies whose principal assets are their respective interests of 20%, 25% and 50% in Tangshan New Island Tourism Development Company Limited, a Sino-foreign joint venture company established in the PRC (the "Joint Venture Company") (the "Acquisitions"). The Joint Venture Company is principally engaged in the development of the Da Wang Gang Island, which is situated at Lao Ting County, Tang Shan City, Hebei Province, the PRC, into a tourist resort with ancillary real estate development. The aggregate consideration of HK\$100,000,000 for the Acquisitions was satisfied by the allotment and issue of 1,000,000,000 new shares of HK\$0.10 each by the Company, with 789,473,684 new shares and 210,526,316 new shares attributable to Carry and China Max, and Unicorn, respectively. The Acquisitions were completed in June 2003.

39. RELATED PARTY TRANSACTIONS (Continued)

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

40. POST BALANCE SHEET EVENTS

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

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

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

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40. POST BALANCE SHEET EVENTS (Continued)

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

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

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

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Group	Principal activities
Directly held subsidiaries:				
Coastal Realty (BVI) Limited	British Virgin Islands/ Hong Kong	US\$200 Ordinary	100	Investment holding
Shenzhen Coastal Property Investment Limited ^	PRC	US\$11,000,000	65	Property development
Carry Investment Limited **	Hong Kong	HK\$100 Ordinary	100	Investment holding
China Max Development Limited **	Hong Kong	HK\$100 Ordinary	70	Investment holding

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited ^	PRC	RMB112,050,000	95	Property development
Coastal Greenland Development (An Shan) Ltd.^	PRC	RMB50,000,000	96	Property development
Coastal Greenland Development (Fujian) Ltd. ***	PRC	US\$10,000,000	100	Property development
Coastal Greenland Development (Shenzhen) Ltd.#	PRC	US\$12,000,000	100	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100	Property development
Coastal Greenland Development (Xiamen) Ltd.#	PRC	RMB100,000,000	100	Property development
Coastal Greenland Development Jiangxi Limited	PRC	US\$10,000,000	100	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note ii)	100	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.#	PRC	US\$12,000,000	100	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100	Investment holding
Comfort Property Management (Anshan) Ltd.#	PRC	RMB1,000,000	100	Property management
My Home Services (Shenzhen) Ltd.#	PRC	US\$1,400,000	100	Property management

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41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
My Home Services (Wuhan) Ltd.#	PRC	HK\$1,000,000	100	Property management
Comfort Property Management (Xiamen) Ltd.#	PRC	RMB3,000,000	100	Property management
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100	Investment holding
Fenhall Development Limited	Hong Kong	HK\$10,000 Ordinary	100	Property investment
Fenson Development Limited	Hong Kong	HK\$10,000 Ordinary	100	Property investment
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100	Property investment
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100	Property investment
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/ Hong Kong	US\$50,000 Ordinary	100	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd.^	PRC	RMB10,000,000	100	Property development
Shanghai Coastal Greenland Real Estate Ltd.^	PRC	RMB20,000,000	100	Investment holding

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Group	Principal activities
Indirectly held subsidiaries (Continued):				
Shanghai Ling Zhi Properties Co., Ltd. [^]	PRC	US\$25,000,000	100	Property investment
Shanghai My Home Services Co., Ltd. [^]	PRC	RMB3,000,000	100	Property management
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100	Investment holding
Tacklemate Investment Limited	Hong Kong Ordinary	HK\$2	100	Property investment
Trenco Properties Limited	Hong Kong	HK\$10,000 Ordinary	100	Investment holding
Wuhan Commercial Plaza Co., Ltd. [#]	PRC	US\$5,000,000	100	Property investment
Xiamen Linzi Construction Development Co., Ltd. [#]	PRC	US\$5,000,000	100	Property investment
Coastal Greenland Development (Shenyang) Ltd. [#]	PRC	US\$10,000,000	100	Property development
Shanghai Xinhongda Real Estate Ltd. ^{**}	PRC	RMB248,292,951	100	Property development
Chengdu Dingyuan Real Estate Ltd. ^{**}	PRC	RMB10,000,000	90	Property development
Joinwell Investment Limited *	Hong Kong	HK\$2 Ordinary	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 March 2005

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

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
 - (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.
- # wholly foreign owned enterprise
^ contractual joint venture
* acquired during the year (note 35(b))
** disposed of during the year (note 35(c))

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

SCHEDULE OF MAJOR PROPERTIES

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 2005 (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 Shenying Road District A of Anshan Development Zone of Industries of High and New Technologies Anshan	Residential with attached commercial area	247,047	12,901	96%	June 2000, December 2000, April 2002 and May 2003
Anshan Riviera Garden (completed section)	56 Jianguo Road Lishan Anshan	Residential with attached commercial area	47,555	3,938	100%	July 2004
Beijing Sunvilla Realhouse Phase I (sections A, B and C)	Panggezhuang Town Daxing County Beijing	Residential	28,993	4,545	95%	December 2004
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	1,507	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
Shanghai Riviera Villa Phases I, II and III	Lot 53, Xinqiao Songjiang District Shanghai	Residential	189,939	6,320	100%	December 2002, December 2003, and December 2004

SCHEDULE OF MAJOR PROPERTIES

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 2005 (sq.m.)	Interest in the development attributable to the Group	Completion date
Shenyang Dongbei Furniture and Ornaments Plaza	319 Shenliao Road Yuhong District Shenyang	Commercial	149,752	80,751	83.33%	2000 (Note 1)
Shenzhen Dragon Court Phases I and II	Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	Residential/ commercial	45,582	4,732	100%	March 2000 and April 2003
Wuhan Wah Zhong Trade Plaza	Liyen Alley Jiangnan District Wuhan	Commercial	79,985	10,680	100%	December 1996
Wuhan Lakeside Apartment Phases I and II	West Airport Road and north of Jinyin Lake Dongxihu District Wuhan	Residential with attached commercial area	109,445	3,840	100%	August 2003 and August 2004
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	13,975	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	3,745	100%	December 1993

Note 1: Developed by other PRC independent developer.

SCHEDULE OF MAJOR PROPERTIES

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 2005 (sq.m.)	Interest in the development attributable to the Group	Completion date
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 2005 (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 Phases V and VI	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	127,318	96%	2005
Anshan Riviera Garden (excluding completed section)	56 Jianguo Road Lishan, Anshan	Residential with attached commercial area	36,264	100%	2005
Beijing Silo City	5 Baizi Bay Chaoyang District Beijing	Residential/ commercial	850,280	49.75%	2006

SCHEDULE OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT (Continued)

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)
Beijing Sunvilla Realhouse Phases I (excluding sections A, B and C), II and III	Panggezhuang Town Daxing County Beijing	Residential	110,376	95%	2005
Dongguan Riviera Villa Phases I and II	Cai Bai Cun Dao Jiao District Dong Guan	Residential with attached commercial area	320,000	65%	2006
Jiangxi Riviera Garden Phases I and II	South of Gaoxin Avenue Changling Town Xinjian County Jiangxi	Residential with attached commercial area	234,900	100%	2006
Shanghai Riviera Garden Phases I and II	Lot 1 Mingzhong Road Xinqiao Songjiang District Shanghai	Residential	287,960	100%	2006
Wuhan Lakeside Apartment Phases III, IV and V	West Airport Road and north of Jinyin Lake Dongxihu District Wuhan	Residential with attached commercial area	252,628	100%	2005
Wuhan Silo City	West of Zhangbo Freeway and North of Jinshan Avenue, Dongxihu District	Residential/commercial	1,460,000	100%	2007

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 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
Beijing Sailo City 5 Baizi Bay Chaoyang District Beijing (excluding Phase I)	Beijing	Residential/commercial	222,427	770,428	49.75%
Chengdu landbank e Baigongyan Scenic Zone Longquanyi District Chengdu	Chengdu	Residential	280,666	222,534	90%