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# THE HONG KONG PARKVIEW GROUP LTD.

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## Interim Report 2001-2002

### **BUSINESS REVIEW**

Despite the chronic adverse economic conditions in Hong Kong, the Group's investment properties continued to generate steady rental income during the reported period. However, some losses were incurred in various operating areas, including the recently started fast passenger ferry operation in Spain, resulting in the overall loss for the Group. The consequence of the present adverse economic climate in Hong Kong is declining opportunities. The Group therefore believes that a realignment of its business strategy is necessary for future growth. This has resulted in a reorganization as detailed below involving disposal of certain assets, capital restructuring and payment of a special dividend.

### **Major reorganization**

On 7th November, 2001, the major and connected transaction involving the disposal of certain assets of the Group, for a total consideration of HK\$833.4 million, to a company controlled by the Group's controlling shareholders were completed. Simultaneously, the payment of the conditional Special Dividend of HK\$1.626 per share was made.

### **Reason for the reorganization**

The Group is principally engaged in property investment and development and its major property interests were located in Hong Kong before the major reorganization. The Hong Kong property market has been markedly and adversely affected by the Asian financial crisis since 1997 and has been very slow in its recovery. Because of the relatively thin trading pattern of the Group's shares in the past, the Group's shareholders who wished to dispose of their shares in the market might find it very difficult to do so. Hence, the connected transaction involving disposal of the Group's Hong Kong assets and the special cash dividend were proposed in order to improve the state of affairs of the Group, provide the shareholders with an opportunity to partially realize their investments in the Group and benefit from the Group's net asset value in a manner which might not be possible before.

### **Effect of the reorganization**

Upon reorganization, the Group's remaining assets consist mainly of its property and investment interests in the PRC. The Group will continue its principal activities in property and property related investments including hotel operations and the trading of furniture items with an emphasis on exploring business opportunities in the PRC.

Currently, the Group's property investment in the PRC includes its interest in Nanjing Dingshan Garden Hotel, a four-star hotel and service apartments; a newly constructed five-star hotel in Nanjing and various apartment units, shops and a development site in the Shanghai Garden City, Shanghai.

The Directors believe that the Group will benefit from the fast economic growth in the PRC especially since the PRC has gained entry into the World Trade Organization. The Group will continue to identify opportunities and/or strategic business partners, which will enhance the Group's operations and business development.

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Details of the reorganization can be found in the Major and Connected Transactions circular issued on 11th September, 2001. A Special General Meeting was held on 5th October, 2001 to approve the above transactions and the transactions were completed on 7th November 2001.

Comments on segmental information:—

*Property sales*

Apartment sales in Shanghai Garden City, Shanghai, China continued during the period. However, due to keen competition, sale prices had to be lowered to attract buyers.

*Property investment*

The Group's investment properties in Hong Kong achieved a higher occupancy level as compared to the previous period, which provided the core recurring income for the Group.

*Provision of management and consultancy services*

The service apartments and the clubhouse of the Hong Kong Parkview, which were under the Group's management, dropped in occupancy and business during the period and led to a decrease in the management fee income.

*Ferry operation and ship chartering*

With the delivery of the newly built catamaran, the fast speed passenger ferry operation in Spain started in August, 2001. Another vessel that was previously under charter was sold during the period.

*Trading sales and contract works*

The Group's furnishing business continued to focus its activities in mainland China. It managed to secure several projects in Shanghai and Beijing during the period. With these orders in hand, it should see a profit in the coming financial period.