



THE
HONG KONG PARKVIEW
GROUP LTD.

僑福建設企業機構

INTERIM REPORT 2003-2004 二零零三年至二零零四年度中期報告

THE HONG KONG PARKVIEW GROUP LTD.

Interim Report 2003-2004**INTERIM RESULTS**

The Board of Directors is pleased to announce the unaudited results of the Group for the six months ended 30th September, 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended | |
|--|-------------|-------------------------|---------------------|
| | | 30th September, | |
| | | (Unaudited) | |
| | | 2003 | 2002 |
| | <i>Note</i> | <i>HK\$</i> | <i>HK\$</i> |
| Turnover | 2 | 15,574,214 | 20,811,036 |
| Cost of sales | | <u>(12,301,077)</u> | <u>(14,767,478)</u> |
| Gross profit | | 3,273,137 | 6,043,558 |
| Administrative expenses | | (13,188,616) | (14,010,152) |
| Gain on disposal of investment in securities | | 493,262 | – |
| Unrealized gain on investment in securities | | <u>27,000</u> | <u>–</u> |
| Loss from operations | | (9,395,217) | (7,966,594) |
| Finance costs | | (200,148) | (64,013) |
| Loss on disposal of subsidiaries | | (65,705) | (1,460,649) |
| Share of results of associates | | <u>(2,579,515)</u> | <u>(5,203,060)</u> |
| Loss before taxation | | (12,240,585) | (14,694,316) |
| Taxation | 4 | <u>–</u> | <u>(62,825)</u> |
| Loss after taxation | | (12,240,585) | (14,757,141) |
| Minority interests | | <u>35,558</u> | <u>259,086</u> |
| Loss attributable to shareholders | | <u>(12,205,027)</u> | <u>(14,498,055)</u> |
| Loss per share – Basic | 6 | <u>(2.28 cents)</u> | <u>(2.71 cents)</u> |

THE HONG KONG PARKVIEW GROUP LTD.

Interim Report 2003-2004**CONDENSED CONSOLIDATED BALANCE SHEET**

| | | 30th September, 2003 (Unaudited) HK\$ | 31st March, 2003 (Audited) HK\$ |
|---------------------------------------|-------------|--|--|
| NON-CURRENT ASSETS | <i>Note</i> | | |
| Property, plant and equipment | | 16,579,271 | 17,120,592 |
| Interest in associates | | 74,355,248 | 83,167,406 |
| Investment in securities | | 29,139,000 | 18,944,000 |
| Other receivables | | 1,500,000 | – |
| | | <hr/> | <hr/> |
| | | 121,573,519 | 119,231,998 |
| CURRENT ASSETS | | | |
| Inventories and work in progress | | 53,008,790 | 54,048,950 |
| Accounts receivable and prepayments | 8 | 19,866,097 | 19,388,470 |
| Amounts due from associates | | 49,419,550 | 51,238,665 |
| Bank balances and cash | | 4,311,385 | 5,362,547 |
| Others | | 7,818,668 | 13,588,652 |
| | | <hr/> | <hr/> |
| | | 134,424,490 | 143,627,284 |
| CURRENT LIABILITIES | | | |
| Creditors and accrued charges | 9 | 17,658,000 | 21,524,842 |
| Tax payable | | 4,187,119 | 4,191,556 |
| Amounts due to minority shareholders | | 29,950,789 | 29,950,789 |
| Amounts due to related companies | | 24,091,486 | 29,574,397 |
| Bank overdrafts | | 2,882,756 | 4,090,160 |
| Others | | 885,225 | 885,225 |
| | | <hr/> | <hr/> |
| | | 79,655,375 | 90,216,969 |
| NET CURRENT ASSETS | | <hr/> | <hr/> |
| | | 54,769,115 | 53,410,315 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> | <hr/> |
| | | 176,342,634 | 172,642,313 |
| CAPITAL AND RESERVES | | | |
| Share capital | 10 | 53,535,926 | 53,535,926 |
| Reserves | | 115,248,379 | 111,512,500 |
| | | <hr/> | <hr/> |
| | | 168,784,305 | 165,048,426 |
| MINORITY INTERESTS | | 5,658,150 | 5,693,708 |
| NON-CURRENT LIABILITIES | | | |
| Loans from minority shareholders | | 1,900,179 | 1,900,179 |
| | | <hr/> | <hr/> |
| | | 176,342,634 | 172,642,313 |

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003 (Unaudited)

| | Share capital <i>HK\$</i> | Share premium <i>HK\$</i> | Capital redemption reserve <i>HK\$</i> | Reserve/ (Goodwill) on consolidation <i>HK\$</i> | Capital reduction reserve <i>HK\$</i> | Investment revaluation reserve <i>HK\$</i> | Contributed surplus <i>HK\$</i> | Exchange reserve <i>HK\$</i> | Deficit <i>HK\$</i> | Total <i>HK\$</i> |
|--|---------------------------------|---------------------------------|---|---|--|---|---------------------------------------|------------------------------------|------------------------|----------------------|
| At 1st April, 2003 | 53,535,926 | - | 2,382,000 | (25,082,042) | 85,844,959 | (10,389,549) | 329,928,202 | (4,423,140) | (266,747,930) | 165,048,426 |
| Unrealized gain on revaluation of investment in securities | - | - | - | - | - | 16,110,000 | - | - | - | 16,110,000 |
| Exchange differences | - | - | - | - | - | - | - | (169,094) | - | (169,094) |
| Net loss for the period | - | - | - | - | - | - | - | - | (12,205,027) | (12,205,027) |
| At 30th September, 2003 | <u>53,535,926</u> | <u>-</u> | <u>2,382,000</u> | <u>(25,082,042)</u> | <u>85,844,959</u> | <u>5,720,451</u> | <u>329,928,202</u> | <u>(4,592,234)</u> | <u>(278,952,957)</u> | <u>168,784,305</u> |
| At 1st April, 2002 | 53,535,926 | - | 2,382,000 | (26,486,075) | 85,844,959 | (28,723,549) | 329,928,202 | (4,024,035) | (210,058,626) | 202,398,802 |
| Eliminated on disposal of subsidiaries | - | - | - | 1,404,033 | - | - | - | - | - | 1,404,033 |
| Unrealized loss on revaluation of investment in securities | - | - | - | - | - | (19,550,000) | - | - | - | (19,550,000) |
| Exchange differences | - | - | - | - | - | - | - | 936,960 | - | 936,960 |
| Net loss for the period | - | - | - | - | - | - | - | - | (14,498,055) | (14,498,055) |
| At 30th September, 2002 | <u>53,535,926</u> | <u>-</u> | <u>2,382,000</u> | <u>(25,082,042)</u> | <u>85,844,959</u> | <u>(48,273,549)</u> | <u>329,928,202</u> | <u>(3,087,075)</u> | <u>(224,556,681)</u> | <u>170,691,740</u> |

THE HONG KONG PARKVIEW GROUP LTD.

Interim Report 2003-2004**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

| | Six months ended 30th September (Unaudited) | |
|--|--|-------------------|
| | 2003 | 2002 |
| | <i>HK\$</i> | <i>HK\$</i> |
| NET CASH USED IN OPERATING ACTIVITIES | (6,904,737) | (4,024,582) |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | 7,259,954 | (2,612,835) |
| NET CASH USED IN FINANCING ACTIVITIES | (200,148) | (1,400,000) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 155,069 | (8,037,417) |
| CASH AND CASH EQUIVALENTS AT 1ST APRIL | 1,272,387 | 21,305,080 |
| EFFECT ON FOREIGN EXCHANGE RATE CHANGES | 1,173 | 58,388 |
| CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER | <u>1,428,629</u> | <u>13,326,051</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 4,311,385 | 17,258,447 |
| Bank overdrafts | (2,882,756) | (3,932,396) |
| | <u>1,428,629</u> | <u>13,326,051</u> |

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Notes to Condensed Consolidated Interim Financial Statements

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

These condensed consolidated interim financial statements should be read in conjunction with the 2003 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2003 except that the Group has changed its accounting policies following its adoption of the revised SSAP No. 12 (revised) “Income Taxes” (“SSAP 12 (Revised)”) issued by the HKSA which is effective for the accounting period commencing on or after 1st January, 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

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Interim Report 2003-2004**2. Segmental information***Business segments*

For management purposes, the Group is currently organised into four operating divisions – property dealing, decoration contractor and trading of building supplies, management and consultancy services, and investment and financing. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2003

| | Property dealing | Decoration contractor and trading | Management and consultancy services | Investment and financing | Consolidated |
|-------------------------------------|-----------------------------|--|--|---|---------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Turnover | <u>–</u> | <u>14,143,650</u> | <u>1,430,564</u> | <u>–</u> | <u>15,574,214</u> |
| Segment result | <u>(757,090)</u> | <u>(3,875,848)</u> | <u>(14,201)</u> | <u>997,174</u> | <u>(3,649,965)</u> |
| Unallocated corporate expenses | | | | | <u>(5,745,252)</u> |
| Loss from operations | | | | | (9,395,217) |
| Finance costs | | | | | (200,148) |
| Loss on disposal of subsidiaries | | | | | (65,705) |
| Share of results of associates | | | | | <u>(2,579,515)</u> |
| Loss before taxation | | | | | (12,240,585) |
| Taxation | | | | | <u>–</u> |
| Loss after taxation | | | | | <u>(12,240,585)</u> |

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Interim Report 2003-2004**2. Segmental information** *(continued)**Business segments (continued)***2002**

| | Property dealing <i>HK\$</i> | Decoration contractor and trading <i>HK\$</i> | Management and consultancy services <i>HK\$</i> | Investment and financing <i>HK\$</i> | Consolidated <i>HK\$</i> |
|-------------------------------------|--|---|---|--|------------------------------------|
| Turnover | <u>567,449</u> | <u>18,868,344</u> | <u>1,374,406</u> | <u>837</u> | <u>20,811,036</u> |
| Segment result | <u>(1,264,582)</u> | <u>608,355</u> | <u>538,953</u> | <u>(567,342)</u> | <u>(684,616)</u> |
| Unallocated corporate expenses | | | | | <u>(7,281,978)</u> |
| Loss from operations | | | | | (7,966,594) |
| Finance costs | | | | | (64,013) |
| Loss on disposal of subsidiaries | | | | | (1,460,649) |
| Share of results of associates | | | | | <u>(5,203,060)</u> |
| Loss before taxation | | | | | (14,694,316) |
| Taxation | | | | | <u>(62,825)</u> |
| Loss after taxation | | | | | <u>(14,757,141)</u> |

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Interim Report 2003-2004**2. Segmental information** *(continued)**Geographical segments*

| | Consolidated turnover | | Contribution to Group results | |
|---|---|-------------------|---|--------------------|
| | Six months ended 30th September, (Unaudited) | | Six months ended 30th September, (Unaudited) | |
| | 2003 | 2002 | 2003 | 2002 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| By geographical location: | | | | |
| Hong Kong | 11,564,049 | 1,135,432 | (3,319,321) | (3,074,141) |
| China and South East Asia | 4,010,165 | 19,675,604 | (330,644) | 2,389,525 |
| | <u>15,574,214</u> | <u>20,811,036</u> | <u>(3,649,965)</u> | <u>(684,616)</u> |
| <i>Less: Unallocated corporate expenses</i> | | | <u>(5,745,252)</u> | <u>(7,281,978)</u> |
| | | | <u>(9,395,217)</u> | <u>(7,966,594)</u> |

3. Depreciation/Amortization

During the period, depreciation of HK\$0.6 million (2002: HK\$0.9 million) was charged in respect of the Group's property, plant and equipment.

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the period. Overseas taxes have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

| | Six months ended 30th September, (Unaudited) | |
|--------------------------|---|---------------|
| | 2003 | 2002 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Company and subsidiaries | | |
| Hong Kong profits tax | — | — |
| Overseas taxation | — | 62,825 |
| | <u>—</u> | <u>62,825</u> |

A deferred tax asset has not been recognized in the financial statements of the Group and the Company in respect of tax losses available to offset future profits as it is not certain that the losses will be utilized in the foreseeable future.

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Interim Report 2003-2004**5. Dividends**

The Directors do not propose any interim dividend for the period (2002: Nil).

6. Loss per share – Basic

The calculation of loss per share is based on the consolidated loss for the six months of HK\$12,205,027 (2002: loss of HK\$14,498,055) and on the weighted average number of 535,359,258 (2002: 535,359,258) ordinary shares in issue during the year.

7. Reserves

There were no transfers to and from reserves during the six months ended 30th September, 2003.

8. Trade debtors

Included in accounts receivable and prepayments are trade debtors of HK\$6,701,831 (31st March, 2003: HK\$10,555,578). The Group allows an average credit period of 90 days to trade customers. The ageing analysis of trade debtors is as follows:

| | 30th September, 2003 (Unaudited) HK\$ | 31st March, 2003 (Audited) HK\$ |
|------------|--|--|
| 0-60 days | 5,479,881 | 8,264,088 |
| 61-90 days | 201,038 | 516,418 |
| >90 days | <u>1,020,912</u> | <u>1,775,072</u> |
| Total | <u>6,701,831</u> | <u>10,555,578</u> |

9. Trade creditors

Included in creditors and accrued changes are trade creditors of HK\$2,692,150 (31st March, 2003: HK\$2,911,847). The ageing analysis of trade creditors is as follows:

| | 30th September, 2003 (Unaudited) HK\$ | 31st March, 2003 (Audited) HK\$ |
|------------|--|--|
| 0-60 days | 888,108 | 1,194,022 |
| 61-90 days | 160,379 | 282,847 |
| > 90 days | <u>1,643,663</u> | <u>1,434,978</u> |
| Total | <u>2,692,150</u> | <u>2,911,847</u> |

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Interim Report 2003-2004**10. Share capital**

| | Number of ordinary shares of HK\$0.10 each | Nominal value HK\$ |
|--|---|-----------------------------------|
| <i>Authorised:</i> | <u>8,500,000,000</u> | <u>850,000,000</u> |
| <i>Issued and fully paid:</i> At 1st April, 2003 and 30th September, 2003 | <u>535,359,258</u> | <u>53,535,926</u> |

11. Contingent liabilities

The Group had no significant contingent liabilities at the balance sheet date.

OPERATING RESULTS

The Group's turnover for the financial six months ended 30th September, 2003 amounted to HK\$15,574,214. Loss attributed to the shareholders for the period totalled HK\$12,205,027.

BUSINESS REVIEW

During the period under review, the Group managed to revitalise the Shanghai Garden City joint venture whereby the second phase of the project can now proceed against a more promising background, both in terms of market conditions and better understanding and cooperation with the joint venture partner.

The management believes that the Group will steadily consolidate its PRC investments in order to capture the ever increasing opportunities in this market.

Property & Hospitality Division*Shangri-La Dingshan Nanjing Hotel, Nanjing, China*

The hotel operation generated a positive contribution with high occupancy rate. After allowing for interests on bank loans and depreciation, the company showed a loss for the financial period.

Shanghai Garden City, Shanghai, China

Subsequent to the satisfactory resolution of the disputes with the joint venture partner, the remaining completed units of the first phase are now put on the market for sale. With the strong surge in property prices in Shanghai, the sale of these units are expected to generate surplus funds to be used in the development of the second phase.

The second phase of the project is to be developed under the same joint venture with new terms. Design development work has begun and submission for government approvals is being prepared. Construction work is expected to start in 2004.

Trading Sales and Contract Works

In the furnishing business, the Hong Kong retail sector remains weak as the property market is not yet on its upward trend. Project works in supplying furniture and accessories to service apartments and hotels in Hong Kong and the PRC remain the core business.

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FINANCIAL POSITION

The financial position of the Group remained healthy as bank and cash balances exceeded total bank borrowings. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.13% (31st March, 2003: 1.56%).

All financial borrowings of the Group and the majority of income and expenses of the Group are dominated either in Yuan or Hong Kong Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes.

As at 30th September, 2003, the Group had HK\$55 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.

EMPLOYEE

As at 30th September, 2003, the total number of employees of the Group was approximately 85.

The Group reviews remuneration packages from time to time and special adjustments are also made when required. Aside from salary payments other staff benefits include contributions to a retirement benefit scheme and medical insurance scheme.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30th September, 2003, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

| | Personal interests | Number of shares held | | Other interests |
|----------------------|-------------------------------|------------------------------|--------------------------------|----------------------------|
| | | Family interests | Corporate interests | |
| Wong Kin Wah, George | 2,000,000 | – | 98,000,000 <i>(Note)</i> | – |

Note: These shares were held by High Return Trading Limited and in which Mr. Wong Kin Wah, George was deemed to have an interest since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

Messrs. Wong Kin Wah, George, Hwang Yiu Hwa, Victor, Hwang Yiu Hwa, Richard, and Hwang Teh Hwa, Tony are directors and shareholders of Kompass International Limited which owned 293,674,138 shares in the Company.

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DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY *(continued)*

Save as disclosed herein, as at 30th September, 2003, none of the directors or chief executive of the Company had any interest or short position in any shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, the following shareholders had interests of 5% or more in the share capital of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

| | Number of shares held | Percentage of total issued shares |
|---|----------------------------------|--|
| Kompass International Limited | 293,674,138 | 54.86% |
| High Return Trading Limited <i>(Note)</i> | 98,000,000 | 18.31% |
| Multi-Power International Limited | 40,000,000 | 7.47% |
| Huang Jianquan | 40,000,000 | 7.47% |

Note: These shares represented the same parcel of shares Mr. Wong Kin Wah, George was deemed to have interests in as disclosed above under "DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY".

Save as disclosed herein, as at 30th September, 2003, the Company was not notified of any interests in more than 5% of the issued share capital of the Company as recorded in the register maintained under section 336 of the SFO, and no person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the six months ended 30th September, 2003 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.

On behalf of the Board
Wong Kin Wah, George
Chairman

Hong Kong, 12th December, 2003