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# THE HONG KONG PARKVIEW GROUP LTD.

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## Interim Report 2006-2007

### Notes to Condensed Consolidated Interim Financial Statements

#### 1. Basis of preparation and accounting policies

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2006, except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new standards, amendments and interpretations had no material effect on the Group’s results of operation and financial position.

The Group has not early applied all the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

These condensed consolidated interim financial statements should be read in conjunction with the 2006 annual financial statements. The financial information relating to the financial year ended 31st March, 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14th July, 2006.

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**2. Segmental Information**

*Business segments*

For management purposes, the Group is currently organised into three operating divisions – 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:

**For the six months ended 30th September, 2006 (Unaudited)**

	<b>Decoration contractor and trading</b>	<b>Management and consultancy services</b>	<b>Investment and financing</b>	<b>Consolidated</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
TURNOVER	<u>7,598,937</u>	<u>2,687,740</u>	<u>121,258</u>	<u>10,407,935</u>
Segment result	<u>(599,146)</u>	<u>550,353</u>	<u>(173,824)</u>	(222,617)
Unallocated corporate expenses				<u>(2,662,703)</u>
Loss from operations				(2,885,320)
Finance costs				(111,010)
Share of results of a jointly controlled entity				288,865
Share of results of associates				<u>(9,461,662)</u>
Loss before taxation				(12,169,127)
Taxation				<u>—</u>
Loss for the period				<u>(12,169,127)</u>

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**2. Segmental information** *(continued)*

*Business segments (continued)*

**For the six months ended 30th September, 2005 (Unaudited)**

	<b>Decoration contractor and trading</b>	<b>Management and consultancy services</b>	<b>Investment and financing</b>	<b>Consolidated</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
TURNOVER	9,369,383	811,688	32,800	10,213,871
Segment result	(4,553,055)	749,486	2,367,555	(1,436,014)
Unallocated corporate expenses				(2,701,017)
Loss from operations				(4,137,031)
Finance costs				(107,287)
Share of results of a jointly controlled entity				(165,083)
Share of results of associates				(7,822,183)
Loss before taxation				(12,231,584)
Taxation				-
Loss for the period				(12,231,584)

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**2. Segmental information** *(continued)*

*Geographical segments*

	<b>Consolidated turnover</b>		<b>Contribution to Group results</b>	
	<b>Six months ended 30th September, (Unaudited)</b>		<b>Six months ended 30th September, (Unaudited)</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
By geographical location:				
Hong Kong	6,928,347	8,118,491	(767,440)	(1,332,471)
The PRC	3,479,588	2,095,380	544,823	(103,543)
	<u>10,407,935</u>	<u>10,213,871</u>	(222,617)	(1,436,014)
Less: Unallocated corporate expenses			<u>(2,662,703)</u>	<u>(2,701,017)</u>
			<u>(2,885,320)</u>	<u>(4,137,031)</u>

**3. Depreciation/Amortization**

During the period, depreciation of HK\$0.16 million (2005: HK\$0.3 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 profits for the period. Overseas taxes, if any, have been calculated at the rate of taxation prevailing in the respective jurisdictions in which the Group operates.

A deferred tax asset has not been recognized in the financial statements of the Group 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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**5. Dividends**

The Directors do not propose any interim dividend for the period (2005: Nil).

**6. Loss per share – Basic**

The calculation of loss per share is based on the consolidated loss attributable to equity holders of the Company for the six months of HK\$12,169,127 (2005: loss of HK\$12,204,524) and on 535,359,258 (2005: 535,359,258) ordinary shares in issue during the period.

**7. Reserves**

There were no transfers to and from reserves during the six months ended 30th September, 2006.

**8. Accounts receivable and prepayments**

Included in accounts receivable and prepayments are trade debtors of HK\$4,767,052 (31st March, 2006: HK\$2,005,211). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	<b>30th September, 2006 (Unaudited) <i>HK\$</i></b>	<b>31st March, 2006 (Audited) <i>HK\$</i></b>
Aged		
0 to 60 days	3,508,513	117,877
61 to 90 days	44,656	219,507
> 90 days	1,442,070	1,795,357
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Less: Allowance for bad and doubtful debts	4,995,239 (228,187)	2,132,741 (127,530)
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Total	<b>4,767,052</b>	<b>2,005,211</b>
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**9. Amounts due from associates**

As at 30th September, 2006, the Group granted advances of HK\$91,044,359 to Nanjing Dingshan Garden Hotel Company Ltd., an associate of the Group. The unaudited balance sheet of Nanjing Dingshan Garden Hotel Company Ltd. as at 30th September, 2006 is set out below:

	<i>HK\$</i>
Non-current assets	397,890,811
Current assets	24,676,054
Current liabilities	(249,661,906)
Non-current liabilities	(125,104,700)
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Net assets	47,800,259
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**10. Accounts payable and accrued charges**

Included in accounts payable and accrued charges are trade creditors of HK\$4,502,710 (31st March, 2006: HK\$1,231,664). The aged analysis of trade creditors is as follows:

	<b>30th September, 2006 (Unaudited)</b>	<b>31st March, 2006 (Audited)</b>
	<i>HK\$</i>	<i>HK\$</i>
Aged		
0 to 60 days	3,689,076	935,787
61 to 90 days	–	–
> 90 days	813,634	295,877
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Total	4,502,710	1,231,664
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**11. Related party transactions**

(a) During the period, the Group entered into the following transactions with related parties, including key management personnel and companies controlled or significantly influenced by management of the Group:

	Notes	Associates		Related companies (iii)	
		For the six months ended 30th September, (Unaudited)		For the six months ended 30th September, (Unaudited)	
		2006	2005	2006	2005
		HK\$	HK\$	HK\$	HK\$
Management fee income received from	i	2,687,740	810,000	-	-
Building management fee paid to	i	-	-	60,102	50,508
General expenses paid to	i	-	-	203,726	199,566

(b) *Outstanding balances with related parties*

	Notes	Associates		Jointly controlled entity		Related companies (iii)	
		30th September, 2006 (Unaudited)	31st March, 2006 (Audited)	30th September, 2006 (Unaudited)	31st March, 2006 (Audited)	30th September, 2006 (Unaudited)	31st March, 2006 (Audited)
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Amount due from	ii	91,044,359	72,765,939	-	-	-	-
Amount due to	ii	-	-	38,025,897	13,425,369	13,939,376	15,155,237

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**11. Related party transactions** *(continued)*

*(c) Compensation of key management personnel of the Group*

	<b>For the six months ended 30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b> <i>HK\$</i>	<b>(Unaudited)</b> <i>HK\$</i>
Short term employee benefits	1,628,400	1,819,800
	<u>1,628,400</u>	<u>1,819,800</u>

*Notes:*

- (i) All transactions were carried out in the ordinary course of business, on normal commercial terms and at terms mutually agreed between both parties.
- (ii) The amounts are unsecured, interest-free and the amounts repayable within one year are classified as current assets/liabilities.
- (iii) Certain directors of the related companies are also the Company's directors and two directors of a related company are children of a Company's director. The amount is unsecured, interest-free and repayable on demand.

**12. Share capital**

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Nominal value <i>HK\$</i></b>
<i>Authorised:</i>	<u>8,500,000,000</u>	<u>850,000,000</u>
<i>Issued and fully paid:</i>		
At 1st April, 2006 and 30th September, 2006	<u>535,359,258</u>	<u>53,535,926</u>

**13. Contingent liabilities**

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

**14. Charges on assets**

The Group did not have any charge on its assets as at 30th September, 2006 (2005: Nil).