THE HONG KONG PARKVIEW GROUP LTD.

僑福建設企業機構*

ANNUAL REPORT 2006-2007 二零零六年至二零零七年度年報

Stock Code 股份代號：207

* For identification purposes only 僅供識別

Contents

On behalf of the Board of Directors, I present the 2006/07 Annual Report to the Shareholders.

RESULTS

I am pleased to report that for the financial year ended 31 March 2007, the Group has made a profit of HK$7,932,541 which is favourable compared to the loss of HK$22,647,558 incurred in the previous year.

REVIEW & OUTLOOK

The positive performance was mainly attributable to the completion and satisfactory sale of the property development project of the jointly controlled entity in Shanghai. Despite the tightening macro-economic policy in the mainland, the overall property market conditions in Shanghai remained robust during the reported financial year. Coupled with the success in implementing the Group's property investment strategy, the second phase of the Shanghai project, generated satisfactory result in the year. With the mainland's positive economic outlook and the amicable working relationship with our Shanghai partner, the Group is well-positioned for further opportunities in Shanghai that will help generate sustainable benefits for the Group.

With the various important issues remaining unsettled, the Group's interest in the hotel project in Nanjing, Nanjing Dingshan Garden Hotel, continued to suffer and incurred losses for the year ended 31 March 2007 (HK$15.5 million) though the situation had improved from the previous year (HK$18.1 million). Nevertheless, during the year, there had been progress in the discussions with the China partner in the project which is hopeful of attaining a final and satisfactory resolution to the shareholding issue and the second phase of the hotel. The resolution of these issues will lead to returning the project to its profitable conditions and therefore will be beneficial to both parties.

Apart from the better performance of the above projects, there were also improvements made in the Group's operating revenue with the result of improved gross profit and other income. The Group continued to control its administrative expenses and was able to achieve some saving in the year.

I share the general view that the general economic outlook in China is still very promising. With the macro-economic policy, China's economy will continue to grow in a healthy and sustainable manner. I therefore believe that our Group is favourably positioned and equipped with the right experience and connections to explore further profitable business opportunities in China for the benefit of our shareholders.

APPRECIATION

Lastly, I would like to express my sincere thanks to all our staff for their hard work and loyalty and to our shareholders for their continued support.

Wong Kin Wah, George
Chairman

Hong Kong, 20 July 2007

RESULTS

The Group's turnover for the financial year ended 31 March 2007 amounted to HK$22,371,767. Profit attributable to shareholders for the year totaled HK$7,932,541.

PROPERTY & HOSPITALITY DIVISION

Nanjing Dingshan Garden Hotel, Nanjing, China

With the shareholding issue and the second phase of the 5-star hotel remaining unsettled, the hotel remained unprofitable for the reported financial year with our Group's share amounting to a loss of HK$15.5 million.

Since the assumption of the management of the hotel by our Group in January 2006 following the end of contract with Shangri-la, the new management team had endeavored to re-energise and improve the hotel's performance. Despite the negative result, the current financial year had seen certain improvement resulting in lesser losses as compared to the previous financial year.

During the year, certain progress had also been made in the discussions with the China partner on the issues of shareholding and second phase of the hotel. Following such discussions, it now seems likely that a final and satisfactory resolution of these issues can be achieved. When it happens, it is expected that the hotel will be fully operational and generate satisfactory returns to both partners.

Shanghai Garden City, Shanghai, China

The second phase of the development of Shanghai Garden City was completed during the year under review and provided a total saleable area of approximately 15,000 square meters. Despite the macro-economic policies, the units of Shanghai Garden City were very well received by the market and all the residential units and a good number of shops were sold at satisfactory prices. The Group's share of this result was approximately HK$21.3 million. Together with a gain of approximately HK$4.4 million on the revaluation of investment properties held in this project and reversal of previously recognised impairment loss of properties transferred from property, plant and equipment to investment properties of approximately HK$8.6 million, a total of HK$34.3 million was taken up and reflected in the Group's accounts this year.

The macro-economic policies enforced by the Central Government aimed to curb property speculation and slow the pace of economic growth are viewed by the Group as a positive step towards creating a healthy and stable property market in the long run. Against this background, the Group continues to look for property development opportunities in Shanghai.

TRADING SALES AND CONTRACT WORKS

The project-based sales remained weak and only few projects were undertaken during the year ended 31 March 2007. At the same time, profit margins were narrower than expected due to unforeseen higher labour and material costs. Although the result of this division was negative for the year, its performance has improved when compared to the same period of last year, attributable to aggressive cost saving measures.

FINANCIAL POSITION

The financial position of the Group remained healthy and apart from the HK$2.7 million in bank overdrafts, the Group had a minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.36% (2006: 1.66%).

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 no need to make use of financial instruments for hedging purposes.

At 31 March 2007, the Group had HK$6.9 million net current assets on hand.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31 March 2007 (2006: nil).

CONTINGENT LIABILITIES

Corporate guarantee given by the Company to banks in respect of banking facilities utilized by a subsidiary amounted to HK$2,702,443 as at 31 March 2007 (2006: HK$2,503,717).

At the balance sheet date, the Group did not have any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

Total number of employees in the Group (excluding those under the payroll of the associates and a jointly controlled entity) at 31 March 2007 was 18 compared with 14 at 31 March 2006. Their remuneration, promotion and salary increments were assessed according to individual performance, as well as professional and working experience, and in accordance with prevailing industry practices.

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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

The Board considers that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2007, except that (i) the Independent Non-executive Directors are not appointed for a specific term; (ii) the Chairman has not retired by rotation every three years; and (iii) the Company has not set up a remuneration committee until 9 June 2006.

Further information on the Company's compliance and its plan to ensure compliance of the CG Code are set out below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for securities transactions by Directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. Having made specific enquiry with all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code throughout the year ended 31 March 2007.

THE BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for overseeing the management of the Company's business and affairs with the objective of enhancing shareholders' value including setting and approving the Company's strategic direction and planning and all other important matters such as interim and annual results, dividends, annual financial budget, business and operation plan etc., while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole.

The Board currently comprises a total of 7 Directors, including 4 Executive Directors and 3 Independent Non-executive Directors. The Company had 2 Independent Non-executive Directors following the death of an Independent Non-executive Director and a Member of the Audit Committee, Mr. Ma Chi Man on 3 June 2006. On 28 August 2006, the Company appointed Mr. Wu Kwok Cheung to fill the vacancy that arose from the death of Mr. Ma. The biographies of the current Directors are set out on page 14 of this annual report.

THE BOARD COMPOSITION AND BOARD PRACTICES (Continued)

All Directors are kept abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements so as to enhance their awareness of regulatory compliance and good corporate governance practices.

Every Director is aware that he should give sufficient time and attention to the affairs of the Group. The Directors have satisfactory attendance rates at both board meeting and committee meetings, including Audit Committee meeting.

Full board meeting are held formally at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

During the year, the Board had held 4 full board meetings. Attendance of individual Directors is as follows:

	Attendance
Executive Directors	
– Mr. Wong Kin Wah, George *(Chairman)*	4/4
– Mr. Hwang Yiou Hwa, Victor	3/4
– Mr. Hwang Yiu Hwa, Richard	3/4
– Mr. Hwang Teh Hwa, Tony	3/4
Independent Non-executive Directors	
– Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	4/4
– Mr. Lam Kin Ming, Lawrence	4/4
– Mr. Wu Kwok Cheung (Appointed on 28 August 2006)	2/2
– Mr. Ma Chi Man (Passed away on 3 June 2006)	0/0

Save that the 4 Executive Directors are brothers of one another, none of the Directors has any relationship with the others.

The Company has received annual confirmation of independence from the 3 Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

At the meeting, the Directors discussed and formulated overall strategies for the Group, monitor financial performance, discuss the annual and interim results, as well as consider other significant matters.

THE BOARD COMPOSITION AND BOARD PRACTICES (Continued)

At least 14 days notice of the board meetings is given to all Directors, and all Directors are given an opportunity to include matters for discussion in the agenda.

An agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a full Board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with boards papers and related materials assists the Chairman in preparing the agenda for meetings and ensure that Board procedures and all applicable rules and regulations are followed.

The Audit Committee and Remuneration Committee also follow the applicable practices and procedures used in board meetings for committee meetings.

The Company Secretary keeps detailed minutes of each meeting, which are available to all Directors. A draft of the minutes is circulated to all Directors for comment and approval as soon as practicable after the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Board has appointed a Chairman, Mr. Wong Kin Wah, George, who ensures that the Board works effectively and that all important issues are discussed in a timely manner. The positions of the Chairman and Chief Executive Officer are held by separate individuals as to maintain an effective segregation of duties. None of the Directors is related to the Chief Executive Officer.

The Chief Executive Officer, Mr. Sin Kit Leung, Peter, is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the Executive Directors and senior management, at which operational issues and financial performance are evaluated.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director appointments.

The Independent Non-executive Directors of the Company had no fixed term of office prior to 25 August 2006, but subject to retirement by rotation at each annual general meeting of the Company in accordance with the Company's Bye-laws. According to the Company's Bye-laws then in effect before 25 August 2006, all Directors (except the Chairman and/or Managing Director) are subject to retirement by rotation and re-election at annual general meeting of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of Directors (excluding the Chairman and/or Managing Director), or, if their number is not a multiple of three, the number nearest to but not exceeding one-third are required to retire from office.

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

The then Bye-laws governing the retirement of Directors deviate from the CG Code provisions in the following aspects: (i) unlike other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; and (ii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years.

Other than the Chairman, all other Directors have complied with the rotation requirements under the CG Code.

To fully comply with the code provision A.4.1. of the CG Code, immediately after the annual general meeting of the Company held on 25 August 2006 (the "2006 AGM"), two Independent Non-executive Directors, Mr. Wu Kwok Cheung and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P. appointed during the period under review, were appointed for terms of one year and three years respectively. The third Independent Non-executive Director, Mr. Lam Kin Ming, Lawrence, who was appointed in 2005, was not appointed for a specific term as this was not a specific requirement of the Bye-laws of the Company at that time. Nevertheless, all Independent Non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws of the Company. Mr. Lam Kin Ming, Lawrence is scheduled to retire by rotation at the forthcoming annual general meeting, following which all Independent Non-executive Directors will be appointed for a specific term in the future.

In addition, to ensure full compliance with the code provision A.4.2. of the CG Code, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the 2006 AGM so that (i) any Directors appointed to fill a casual vacancy shall be subject to re-election by shareholders at the Company's first general meeting after the appointment and (ii) every Director shall be subject to retirement by rotation at least once every three years.

REMUNERATION OF DIRECTORS

Prior to 9 June 2006, the Board had not set up a Remuneration Committee. In compliance with the CG Code, the Board has on 9 June 2006 established a Remuneration Committee, chaired by Mr. Wong Kin Wah, George, Executive Director, with committee members comprising Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P. and Mr. Lam Kin Ming, Lawrence, both of whom are Independent Non-executive Directors.

The principal responsibilities of Remuneration Committee are to formulate the remuneration policy, review and recommend to the Board the annual remuneration policy, and determine the remuneration of the Executive Directors and members of the Senior Management. The objective of the remuneration policy is to ensure that the Group is able to attract, retain, and motivate a high calibre team which is essential to the success of the Group. Details of the Group's emoluments policy are set out on page 19 of this annual report.

REMUNERATION OF DIRECTORS (Continued)

The Remuneration Committee will meet at least once a year. During the year, one committee meeting was held to review and discuss the remuneration of Directors and senior management and the attendance of each member is set out as follows:

	Attendance
Committee members	
Mr. Wong Kin Wah, George *(Chairman)*	1/1
Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	1/1
Mr. Lam Kin Ming, Lawrence	1/1

The functions specified in paragraphs B1.3 (a) to (f) of the CG Code had been included in the terms of reference of the Remuneration Committee, which also explain the role and the authority delegated by the Board.

AUDIT COMMITTEE

The Audit Committee currently consists of three members, all of whom are Independent Non-executive Directors and not involved in the day-to-day management of the Company. The Committee had two members following the death of one member, Mr. Ma Chi Man on 3 June 2006 and his vacancy was filled by the appointment of Mr. Wu Kwok Cheung on 28 August 2006 to comply with the requirement as set out under Rule 3.21 of the Listing Rules. In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised on 16 December 2005 in compliance with the provisions set out in the CG Code. The terms of reference are available on the website of the Company.

The Audit Committee is responsible for the following:

– making recommendations on the appointment, re-appointment and removal of external auditors and considering the terms of such appointment;

– developing and implementing policies on the engagement of external auditors for non-audit services;

– monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balance assessment of the Group's financial position;

– ensuring that management has fulfilled its duty to maintain an effective internal control system.

AUDIT COMMITTEE (Continued)

During the year, the Audit Committee held 1 meeting with external auditors to discuss any areas of concerns during the audits and approve the audited financial statements and 1 meeting to approve the interim financial statements. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards. Attendance of individual member is as follows:

	Attendance
Committee members	
Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	2/2
Mr. Lam Kin Ming, Lawrence	2/2
Mr. Wu Kwok Cheung (Appointed on 28 August 2006)	1/1
Mr. Ma Chi Man (Passed away on 3 June 2006)	0/0

FINANCIAL REPORTING

The Board, supported by the accounts department, is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards have been adopted and the financial statements comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The reporting responsibilities of Directors and external auditors are further set out in the Independent Auditor's Report on page 21.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control system. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board monitors and has conducted a review of the effectiveness of its internal control systems through a programme of internal audit and consider the internal control system is effective and adequate. The internal audit function is set up by the Company to review the major operational and financial control of the Group in compliance with the established processes and standards on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team reports directly to the Chairman of the Board and the Audit Committee.

AUDITORS' REMUNERATION

During fiscal year 2006/07, fees paid to Deloitte Touche Tohmatsu ("Deloitte") and other auditors of subsidiary companies for taxation service were HK$99,300 and HK$nil respectively. Fees payable for audit and audit related services to Deloitte and other auditors were HK$890,000 and HK$20,000 respectively.

COMMUNICATION WITH SHAREHOLDERS

The Company encourages two-way communications with its shareholders. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company. The annual general meeting (the "AGM") provides a forum for direct communication between the Board and the Company's shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. The Chairmen of the Audit and Renumeration Committees or in their absence, other members of the respective committees, are also available to answer questions at the AGM. The Company maintains regular communication with media to disseminate financial and other information relating to the Group and its business to the public in order to foster effective communication.

On behalf of the Board

Wong Kin Wah, George
Chairman

Hong Kong, 20 July 2007

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 31, 14 and 16 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of any dividend during the year.

SHARE CAPITAL

Details of the share capital of the company are set out in note 26 to the consolidated financial statements.

RESERVES

As at 31 March 2007, the Company's reserves available for distribution in accordance with the Bermuda Companies Act consist of contributed surplus and deficit of aggregate of HK$21,390,596.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wong Kin Wah, George
Mr. Hwang Yiou Hwa, Victor
Mr. Hwang Yiu Hwa, Richard
Mr. Hwang Teh Hwa, Tony

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	
Mr. Lam Kin Ming, Lawrence	
Mr. Wu Kwok Cheung	(appointed on 28 August 2006)
Mr. Ma Chi Man	(passed away on 3 June 2006)

In accordance with the Company's Bye-laws, Messrs. Hwang Teh Hwa, Tony, Lam Kin Ming, Lawrence and Wu Kwok Cheung shall retire from the Board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Two Independent Non-executive Directors, Mr. Wu Kwok Cheung and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., were appointed for terms of one year and three years respectively. The third Independent Non-executive Director, Mr. Lam Kin Ming, Lawrence, who was appointed in 2005, was not appointed for specific term. Nevertheless, all Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

(a) During the year, the Group had the following transactions with Hong Kong Parkview Management Services Limited ("HKPV") and Parkview (Suites) Limited of which two children of Mr. Wong Kin Wah, George were Directors and have beneficial interests:

   (i) Building management fee of HK$120,204 was paid to HKPV for office management services provided to the Group.

   (ii) General expenses of HK$408,647 were paid to HKPV for daily operating activities provided to the Group.

   (iii) Management fee of HK$557,704 was paid to Parkview (Suites) Limited for the management services rendered to the Group.

(b) Other than as disclosed above, no contracts of significance to which the Company, its holding company or any subsidiaries of its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Independent Non-executive Directors confirm that the transactions set out in (a) have been entered into by the Group in the ordinary course of its business, on normal commercial terms and are fair and reasonable and in the interests of the shareholder of the Group as a whole.

MANAGEMENT PROFILES

A. Executive Directors

Mr. Wong Kin Wah, George, aged 55, is Chairman of the Group. He has been engaged in construction and real estate business in Taiwan and Hong Kong since graduating in building construction design in 1973. He was appointed as Director in 1992. He is a Director of several member companies of the Group.

Mr. Hwang Yiou Hwa, Victor, aged 53, held a Bachelor Degree in Administration and Finance. He has been involved in the Group's overseas business developments. He was appointed as Director in 1992. He is a Director of a member company of the Group.

Mr. Hwang Yiu Hwa, Richard, aged 52, held a Bachelor Degree of Science in Civil Engineering. He has been involved in construction field since 1982. He was appointed as Director in 1993.

Mr. Hwang Teh Hwa, Tony, aged 51, held a Master Degree in Management and Organisational Development. He is responsible for the development of business in mainland China. He was appointed as Director in 1992.

Mr. Wong Kin Wah, George, Mr. Hwang Yiou Hwa, Victor, Mr. Hwang Yiu Hwa, Richard and Mr. Hwang Teh Hwa, Tony are brothers.

B. Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., aged 60 is the Senior Partner of Messrs. Chu & Lau, Solicitors and Notaries. He obtained a Bachelor of Laws Degree from the University of London and is a Solicitor of the High Court of the HKSAR, a China-Appointed Attesting Officer and a Notary Public. In 2001, Mr. Lau was awarded the "Gold Bauhinia Star" by the HKSAR Government. He is also a Standing Committee Member of The National Committee of the Chinese People's Political Consultative Conference and a non-executive director of several listed companies. He was appointed as an Independent Non-executive Director in 1995.

Mr. Lam Kin Ming, Lawrence, aged 52, is the CEO of Pacific Century Systems Limited, a company whose principal business is to provide telecom equipment and related services. He has been serving that Company since 1985. Prior to that, Mr. Lam was a senior executive of a company that involved in property management and investment. Mr. Lam graduated from the University of Toronto in 1978. He was appointed as an Independent Non-executive Director in 2004.

Mr. Wu Kwok Cheung, aged 75, has served as a Director and Chief Executive Officer of several companies in Hong Kong and the PRC, and has also been appointed to several public offices. He was appointed as an Independent Non-executive Director in 2006.

MANAGEMENT PROFILES (Continued)

C. Senior Management Staff

Mr. Sin Kit Leung, Peter, aged 67, is the Chief Executive Officer of the Group. He held a diploma in Business Management. Mr. Sin has extensive experience in investment and real estate development. Mr. Sin joined the Group in 1990 and is responsible for business development and overall management of the Group. He is a Director of several member companies of the Group.

Mr. Chan Chi Fai, Brian, aged 52, is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in banking and commercial sectors. Mr. Chan joined the Group in 1990 and is now responsible for the financial management of the Group. He is a Director of several member companies of the Group.

Mr. Ng Chan Shing, Lawrence, aged 63, has 30 years of experience in government and commercial sectors. Before joining the Group in 1997, Mr. Ng was a Director of a diversified public company. Mr. Ng is responsible for the Group's household equipment trading activities. He is a Director of a member company of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31 March 2007, the interests of the Directors and the Chief Executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Positions – Ordinary Shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wong Kin Wah, George	Beneficial owner	2,000,000	0.4%
	Held by controlled corporation *(Notes 1 & 2)*	391,674,138	73.2%
		393,674,138	73.6%
Hwang Yiou Hwa, Victor	Held by controlled corporation *(Note 2)*	293,674,138	54.9%
Hwang Yiu Hwa, Richard	Held by controlled corporation *(Note 2)*	293,674,138	54.9%
Hwang Teh Hwa, Tony	Held by controlled corporation *(Note 2)*	293,674,138	54.9%

Notes:

1. 98,000,000 shares were held by High Return Trading Limited and in which Mr. Wong Kin Wah, George was deemed to have interests 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".

2. Messrs. Wong Kin Wah, George, Hwang Yiou 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. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

Other than as disclosed above, none of the Directors, Chief Executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2007.

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that other than the interests disclosed above in respect of certain Directors and Chief Executives, the following shareholders had an interest in 5% or more of the issued share capital of the Company of relevant interests in the issued share capital of the Company.

Long Positions – Ordinary Shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Kompass International Limited	Beneficial owner	293,674,138 *(Note)*	54.9%
High Return Trading Limited	Beneficial owner	98,000,000 *(Note)*	18.3%
Multi-Power International Limited	Beneficial owner	40,000,000	7.47%
Huang Jianquan	Beneficial owner	40,000,000	7.47%

Note: These shares represented the same parcel of shares as disclosed above under "DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY".

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2007.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers during the year was 11.4% and 43.7%, respectively.

The percentage of sales attributable to the Group's largest customer and the five largest customers during the year was 47.5% and 68.6%, respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) were interested at any time during the year in the above suppliers or customers.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

There were no convertible securities, warrants or options issued by the Company or its subsidiaries during the year.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

At the annual general meeting of the Company held on 25 August 2006, resolutions were passed to amend the Bye-laws of the Company to bring them in line with the requirements under the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the opinion of the Directors, the Company has complied throughout the year ended 31 March 2007 with the Code, with the exception of the following:

1. Code provision A.4.1 requires that Independent Non-executive Directors should be appointed for a specific term and subject to re-election. Currently the Company has three Independent Non-executive Directors. Two Independent Non-executive Directors, Mr. Wu Kwok Cheung and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., appointed during the period under review, were appointed for terms of one year and three years respectively in compliance with the code provision. The third Independent Non-executive Director, Mr. Lam Kin Ming, Lawrence, who was appointed in 2005, was not appointed for a specific term as this was not a specific requirement of the Bye-laws of the Company at that time. Nevertheless, all Independent Non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws of the Company. Mr. Lam Kin Ming, Lawrence is scheduled to retire by rotation at the forthcoming annual general meeting, following which all Independent Non-executive Directors will be appointed for a specific term in the future so as to comply with the Code.

2. Under the code provision B.1.1, the company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company did not previously have a remuneration committee but established one on 9 June 2006 to comply with the Code; and

3. To replace the vacancy that arose from the passing away of Mr. Ma Chi Man, an Independent Non-executive Director and a member of the Audit Committee of the Company on 3 June 2006, the Company has appointed Mr. Wu Kwok Cheung on 28 August 2006 to comply with the requirements as set out under Rules 3.10(1) and 3.21 of the Listing Rules.

Further information is set out in the Corporate Governance Report on page 5 to 11 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 to the Listing Rules for the year ended 31 March 2007.

AUDIT COMMITTEE

The Audit Committee, comprising of three Independent Non-executive Directors, has reviewed with management the accounting principles and standard practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the audited consolidated financial statements for the year ended 31 March 2007 of the Group.

PRE-EMPTIVES 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.

EMOLUMENTS POLICY

The emoluments policy of the senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2007.

FINANCIAL ASSISTANCE GIVEN TO AFFILIATED COMPANIES AMOUNTING TO MORE THAN 8% OF THE ASSETS RATIO

As at 31 March 2007, the Group granted an interest-free advance with a face value of HK$106,041,989 to Nanjing Dingshan Garden Hotel Company Ltd., an associate of the Group. The summarised financial position of Nanjing Dingshan Garden Hotel Company Ltd. as at 31 March 2007 is set out below:

	HK$
Non-current assets	405,098,293
Current assets	19,437,050
Current liabilities	(318,985,725)
Non-current liabilities	(68,580,200)
Net assets	36,969,418

Details of Nanjing Dingshan Garden Hotel Company Ltd. are set out in note 14 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wong Kin Wah, George
Chairman

Hong Kong, 20 July 2007

Deloitte.
德勤

TO THE MEMBERS OF
THE HONG KONG PARKVIEW GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of The Hong Kong Parkview Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 61, which comprise the consolidated balance sheet as at 31 March 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of Group's affairs as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 July 2007

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 HK$	2006 HK$
Revenue	5	**22,371,767**	18,220,724
Cost of sales		**(15,623,671)**	(14,718,060)
Gross profit		**6,748,096**	3,502,664
Other income		**1,223,498**	663,012
Administrative expenses		**(13,594,753)**	(13,893,756)
Write-down of inventories		**–**	(1,238,186)
Allowance for amounts due from minority shareholders		**–**	(3,208,165)
Gain on disposal of available-for-sale investments		**–**	8,399,066
Net change in fair value of investments held for trading		**503,718**	759,619
Finance costs	7	**(189,682)**	(219,724)
Impairment loss recognised in respect of available-for-sale investments		**(1,186,000)**	–
Gain on disposal of a subsidiary	28	**1,997,726**	–
Gain on liquidation of subsidiaries		**189,843**	1,765,430
Share of loss of an associate		**(15,537,314)**	(18,079,680)
Change in carrying amount of non-current interest-free amount due from an associate	15	**(6,689,115)**	–
Share of profit (loss) of a jointly controlled entity		**34,366,524**	(1,616,361)
Profit (loss) before taxation	8	**7,832,541**	(23,166,081)
Taxation credit	11	**100,000**	511,817
Profit (loss) for the year		**7,932,541**	(22,654,264)
Attributable to:			
Equity holders of the Company		**7,932,541**	(22,647,558)
Minority interests		**–**	(6,706)
		7,932,541	(22,654,264)
Earnings (loss) per share – basic	12	**HK1.48 cents**	HK(4.23 cents)

Consolidated Balance Sheet

AT 31 MARCH 2007

	Note	2007 HK$	2006 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,015,350**	9,342,576
Interests in associates	14	**15,375,492**	29,711,033
Amount due from an associate	15	**86,311,168**	–
Interest in a jointly controlled entity	16	**55,294,593**	12,593,016
Available-for-sale investments	17	**4,349,000**	4,349,000
Other receivable	18	**1,156,421**	1,073,969
		171,502,024	57,069,594
CURRENT ASSETS			
Inventories	19	**126,504**	–
Accounts receivable and prepayments	20	**5,172,200**	3,579,970
Amounts due from associates	15	**13,500,000**	72,765,939
Investments held for trading	21	**270,000**	10,786,500
Bank balances and cash	22	**8,318,939**	6,254,374
		27,387,643	93,386,783
CURRENT LIABILITIES			
Accounts payable and accrued charges	23	**3,634,475**	3,196,054
Amounts due to customers for contract work	24	**97,868**	–
Bills payable	23	**1,103,916**	–
Amounts due to minority shareholders	23	**–**	1,997,562
Advance from an investee company	23	**3,460,560**	3,460,560
Amount due to a jointly controlled entity	23	**–**	13,425,369
Amounts due to related companies	25	**8,500,747**	15,155,237
Tax payable		**59,215**	159,215
Dividend payable	23	**885,225**	885,225
Bank overdrafts	23	**2,702,443**	2,503,717
		20,444,449	40,782,939
Net current assets		**6,943,194**	52,603,844
		178,445,218	109,673,438

	Note	2007 HK$	2006 HK$
CAPITAL AND RESERVES			
Share capital	26	**53,535,926**	53,535,926
Reserves		**78,016,050**	56,137,512
Equity attributable to equity holders of the Company		**131,551,976**	109,673,438
NON-CURRENT LIABILITIES			
Amount due to a jointly controlled entity	27	**37,207,534**	–
Amount due to a related company	25	**9,685,708**	–
		46,893,242	–
		178,445,218	109,673,438

The financial statements on pages 23 to 61 were approved and authorised for issue by the Board of Directors on 20 July 2007 and are signed on its behalf by:

Wong Kin Wah, George	**Hwang Yiou Hwa, Victor**
DIRECTOR	*DIRECTOR*

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to equity holders of the Company										
	Share capital	Capital redemption reserve	Capital reduction reserve	Investment revaluation reserve	Revaluation surplus	Contributed surplus	Exchange reserve	Deficit	Total	Minority interests	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2005	53,535,926	2,382,000	85,844,959	1,404,343	–	329,928,202	(4,929,681)	(334,961,670)	133,204,079	1,668,101	134,872,180
Exchange difference arising from translation of financial statements of foreign subsidiaries	–	–	–	–	–	–	283,425	–	283,425	–	283,425
Share of exchange reserve of associates	–	–	–	–	–	–	1,006,792	–	1,006,792	–	1,006,792
Share of exchange reserve of a jointly controlled entity	–	–	–	–	–	–	417,043	–	417,043	–	417,043
Eliminated on liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	(1,661,395)	(1,661,395)
Net gain (loss) recognised directly in equity	–	–	–	–	–	–	1,707,260	–	1,707,260	(1,661,395)	45,865
Eliminated on disposal of available-for-sale investments	–	–	–	(2,590,343)	–	–	–	–	(2,590,343)	–	(2,590,343)
Loss for the year	–	–	–	–	–	–	–	(22,647,558)	(22,647,558)	(6,706)	(22,654,264)
Total recognised income and expense for the year	–	–	–	(2,590,343)	–	–	1,707,260	(22,647,558)	(23,530,641)	(1,668,101)	(25,198,742)
At 31 March 2006 and 1 April 2006	53,535,926	2,382,000	85,844,959	(1,186,000)	–	329,928,202	(3,222,421)	(357,609,228)	109,673,438	–	109,673,438
Exchange difference arising from translation of financial statements of foreign subsidiaries	–	–	–	–	–	–	339,587	–	339,587	–	339,587
Share of exchange reserve of associates	–	–	–	–	–	–	1,201,773	–	1,201,773	–	1,201,773
Share of exchange reserve of a foreign jointly controlled entity	–	–	–	–	–	–	5,568,243	–	5,568,243	–	5,568,243
Share of excess of fair value over the carrying amount of properties transferred from property, plant and equipment to investment properties of a foreign jointly controlled entity	–	–	–	–	5,650,394	–	–	–	5,650,394	–	5,650,394
Net gain recognised directly in equity	–	–	–	–	5,650,394	–	7,109,603	–	12,759,997	–	12,759,997
Impairment loss recognised to profit or loss	–	–	–	1,186,000	–	–	–	–	1,186,000	–	1,186,000
Profit for the year	–	–	–	–	–	–	–	7,932,541	7,932,541	–	7,932,541
Total recognised income for the year	–	–	–	1,186,000	5,650,394	–	7,109,603	7,932,541	21,878,538	–	21,878,538
At 31 March 2007	**53,535,926**	**2,382,000**	**85,844,959**	**–**	**5,650,394**	**329,928,202**	**3,887,182**	**(349,676,687)**	**131,551,976**	**–**	**131,551,976**

The contributed surplus represented HK$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK$1 to HK$0.10 of the Company at the time of the capital restructuring of the Group as at 7 November 2001, less HK$870,494,154 distributed out of the contributed surplus during the year ended 31 March 2002.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	HK$	*HK$*
OPERATING ACTIVITIES		
Profit (loss) before taxation	**7,832,541**	(23,166,081)
Adjustments for:		
Interest earned on bank deposits	**(182,696)**	(38,578)
Gain arising on non-current interest-free on other receivable	**(82,452)**	(48,369)
Gain arising on non-current interest-free on amount due to a related company	**(750,642)**	–
Interest expense	**189,682**	219,724
Depreciation of property, plant and equipment	**316,066**	596,426
Allowances for bad and doubtful debts	**95,394**	–
Write-down of inventories	**–**	1,238,186
Allowance for amounts due from minority shareholders	**–**	3,208,165
Change in carrying amount of non-current interest-free amount due from an associate	**6,689,115**	–
Impairment loss recognised in respect of available-for-sale investments	**1,186,000**	–
Share of losses of associates	**15,537,314**	18,079,680
Share of (profit) loss of a jointly controlled entity	**(34,366,524)**	1,616,361
Gain on disposal of available-for-sale investments	**–**	(8,399,066)
Loss on disposal of property, plant and equipment	**–**	29,559
Gain on liquidation of subsidiaries	**(189,843)**	(1,765,430)
Reversal of allowance for inventories	**(99,645)**	–
Gain on disposal of a subsidiary	**(1,997,726)**	–
Operating cash flows before movements in working capital	**(5,823,416)**	(8,429,423)
(Increase) decrease in inventories	**(26,859)**	302,664
(Increase) decrease in accounts receivable and prepayments	**(1,687,624)**	5,001,028
Decrease in amounts due from minority shareholders	**–**	1,791,746
Decrease (increase) in investments held for trading	**10,516,500**	(10,522,500)
Decrease in available-for-sale investments	**–**	20,380,092
Increase (decrease) in accounts payable and accrued charges	**438,421**	(429,291)
Increase (decrease) in amounts due to customers for contract work	**97,868**	(2,093,389)
Increase (decrease) in bills payable	**1,103,916**	(1,346,309)
NET CASH FROM OPERATING ACTIVITIES	**4,618,806**	4,654,618

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	HK$	*HK$*
INVESTING ACTIVITIES		
Interest received	**182,696**	38,578
Increase in amounts due from associates	**(33,734,345)**	(6,021,472)
Payments on liquidation of subsidiaries	**(489)**	–
Purchase of property, plant and equipment	**(10,567)**	(143,887)
Proceeds on disposal of property, plant and equipment	**24,397**	–
NET CASH USED IN INVESTING ACTIVITIES	**(33,538,308)**	(6,126,781)
FINANCING ACTIVITIES		
Increase in amount due to a jointly controlled entity	**26,665,750**	7,035,046
Increase (decrease) in amounts due to related companies	**3,781,860**	(8,682,108)
Interest paid	**(189,682)**	(219,724)
Increase in bank overdrafts	**198,726**	278,526
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**30,456,654**	(1,588,260)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,537,152**	(3,060,423)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,254,374**	8,929,047
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**527,413**	385,750
CASH AND CASH EQUIVALENTS, END OF YEAR	**8,318,939**	6,254,374
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**8,318,939**	6,254,374

1. GENERAL

The Company was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is Kompass International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in “Corporate Information” section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company and the principal activities of its principal subsidiaries are decoration contractor and trading of furniture, provision of corporate management services and investment holding.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting period beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the Group’s results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following 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 financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [6]
HK(IFRIC) – INT 12	Service concession arrangements [7]

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sales of goods are recognised when the goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Revenue from long-term decoration contract is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Management fee income is recognised when the relevant services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An owner-occupied property is transferred to investment property at fair value when it is evidenced by the end of owner occupation. The difference between the fair value and the carrying amount at the date of transfer is recognised as a revaluation increase in accordance with HKAS 16 "Property, plant and equipment". When the increase in the carrying amount of the property reverses a previous impairment loss for that property, it is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase in the carrying amount is credited directly to equity in revaluation surplus. On subsequent disposal of the investment properties, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customers are included in the balance sheet under accounts receivable and prepayments.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefits costs

Payments to the retirement contribution schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets held for trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, amounts due from associates and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent years.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including accounts payable and accrued charges, bills payable, amounts due to minority shareholders, advance from an investee company, amount due to a jointly controlled entity, amounts due to related companies and dividend payable are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial instruments include other receivable, accounts receivable, amounts due from associates, bank balances, accounts payable and accrued charges, bills payable, amounts due to minority shareholders, an investee company, a jointly controlled entity and related companies and dividend payable. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank balances which are carried at variable interest rate. The Directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

4. **FINANCIAL INSTRUMENTS** (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The management would manage this exposure by closely monitoring the performance of the investments and market conditions. The management will consider diversifying the portfolio of investments as they consider appropriate.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those asset as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and the amounts due from associates at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the collectibility of trade debtors and amounts due from associates at each balance sheet date by receiving the cash flows forecast and financial performance of associates to ensure the amounts are recoverable. Further, the management closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the amounts due from associates, the Group has no significant concentration of credit risk with exposure spread over a number of customer parties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

4. FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE

Revenue, which is also turnover of the Group, represents the amounts received and receivable for income from decoration contracts less discounts, management fee income, trading of furniture and dividend income by the Group during the year as follows:

	2007	2006
	HK$	*HK$*
Income from decoration contracts	**13,592,516**	7,187,736
Management fee income	**5,194,393**	2,600,829
Trading of furniture	**3,526,635**	8,224,947
Dividend income from investments held for trading	**58,223**	207,212
	22,371,767	18,220,724

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – decoration contractor and trading of furniture, management services and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2007

	Decoration contractor and trading *HK$*	Management services *HK$*	Investment holding *HK$*	Consolidated *HK$*
REVENUE	**17,119,151**	**5,194,393**	**58,223**	**22,371,767**
RESULT				
Segment result	**(453,018)**	**709,838**	**(680,993)**	**(424,173)**
Unallocated income				**1,015,790**
Unallocated corporate expenses				**(6,897,058)**
Finance costs				**(189,682)**
Gain on disposal of a subsidiary				**1,997,726**
Gain on liquidation of subsidiaries				**189,843**
Share of loss of an associate				**(15,537,314)**
Change in carrying amount of non-current interest-free amount due from an associate				**(6,689,115)**
Share of profit of a jointly controlled entity				**34,366,524**
Profit before taxation				**7,832,541**
Taxation credit				**100,000**
Profit for the year				**7,932,541**

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2007 (Continued)

BALANCE SHEET

	Decoration contractor and trading HK$	Management services HK$	Investment holding HK$	Consolidated HK$
ASSETS				
Segment assets	5,275,488	4,036	4,619,447	9,898,971
Interests in associates				15,375,492
Interest in a jointly controlled entity				55,294,593
Unallocated assets				118,320,611
Consolidated total assets				198,889,667
LIABILITIES				
Segment liabilities	3,298,724	22,000	15,500	3,336,224
Unallocated liabilities				64,001,467
Consolidated total liabilities				67,337,691

OTHER INFORMATION

	Decoration contractor and trading HK$	Management services HK$	Investment holding HK$	Others HK$	Consolidated HK$
Additions to property, plant and equipment	3,227	–	–	7,340	10,567
Allowance for bad and doubtful debts	95,394	–	–	–	95,394
Bad debts written off	104,077	–	–	–	104,077
Depreciation on property, plant and equipment	74,036	–	–	242,030	316,066
Reversal of allowance for inventories	(99,645)	–	–	–	(99,645)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2006

	Decoration contractor and trading	Management services	Investment holding	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
REVENUE	15,412,683	2,600,829	207,212	18,220,724
RESULT				
Segment result	(5,345,317)	1,574,184	9,322,933	5,551,800
Unallocated income				86,947
Unallocated corporate expenses				(7,446,328)
Allowance for amounts due from minority shareholders				(3,208,165)
Finance costs				(219,724)
Gain on liquidation of a subsidiary				1,765,430
Share of loss of an associate				(18,079,680)
Share of loss of a jointly controlled entity				(1,616,361)
Loss before taxation				(23,166,081)
Taxation credit				511,817
Loss for the year				(22,654,264)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2006 (Continued)

BALANCE SHEET

	Decoration contractor and trading	Management services	Investment holding	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Segment assets	3,416,765	6,414	15,348,468	18,771,647
Interests in associates				29,711,033
Interest in a jointly controlled entity				12,593,016
Unallocated assets				89,380,681
Consolidated total assets				150,456,377
LIABILITIES				
Segment liabilities	1,381,802	148,431	25,500	1,555,733
Unallocated liabilities				39,227,206
Consolidated total liabilities				40,782,939

OTHER INFORMATION

	Decoration contractor and trading	Management services	Investment holding	Others	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Additions to property, plant and equipment	137,701	–	–	6,186	143,887
Depreciation on property, plant and equipment	76,832	–	–	519,594	596,426
Write-down of inventories	1,238,186	–	–	–	1,238,186
Allowance for amounts due from minority shareholders	–	–	–	3,208,165	3,208,165

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong, The People's Republic of China (the "PRC") and United States of America ("USA").

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2007 HK$	2006 HK$
Hong Kong	**14,002,526**	8,891,269
The PRC	**6,643,531**	5,649,193
USA	**1,725,710**	3,680,262
	22,371,767	18,220,724

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 HK$	2006 HK$	2007 HK$	2006 HK$
Hong Kong	**9,120,416**	18,081,801	**10,567**	137,214
The PRC	**778,555**	689,846	**–**	6,673
	9,898,971	18,771,647	**10,567**	143,887

7. FINANCE COSTS

	2007 HK$	2006 HK$
Interest on bank overdrafts	**189,682**	219,724

8. PROFIT (LOSS) BEFORE TAXATION

	2007	2006
	HK$	*HK$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**564,800**	518,000
Allowance for bad and doubtful debts	**95,394**	–
Bad debts written off	**104,077**	–
Depreciation on property, plant and equipment	**316,066**	596,426
Gain arising on non-current interest-free other receivable	**(82,452)**	(48,369)
Gain arising on non-current interest-free amounts due to a related company	**(750,642)**	–
Interest earned on bank deposits	**(182,696)**	(38,578)
Reversal of allowance for inventories *(Note)*	**(99,645)**	–
Loss on disposal of property, plant and equipment	**–**	29,559
Net exchange loss	**41,607**	120,395
Rental under operating leases in respect of rented premises	**–**	51,929
Retirement benefits costs	**138,491**	144,287
Staff costs	**8,067,195**	7,435,538
Share of tax of a jointly controlled entity	**325,060**	–

Note: Reversal of allowance for inventories was made when those inventories were sold during the year.

9. EMOLUMENTS OF DIRECTORS

During the years ended 31 March 2007 and 31 March 2006, no emoluments were paid to Directors.

10. EMOLUMENTS OF HIGHEST EMPLOYEES

Five highest paid employees

	2007	2006
	HK$	*HK$*
Salaries and other emoluments	**3,614,054**	2,943,697
Retirement benefits costs	**36,000**	32,000
	3,650,054	2,975,697

10. EMOLUMENTS OF HIGHEST EMPLOYEES (Continued)

Five highest paid employees (Continued)

	2007	2006
	Number of employees	
HK$1,000,000 or below	**4**	5
HK$1,000,001 – HK$1,500,000	**1**	–

11. TAXATION CREDIT

	2007	2006
	HK$	*HK$*
Hong Kong Profits Tax	**100,000**	511,817

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for both years. The taxation credit for both years represents the overprovision of Hong Kong Profits Tax in prior years.

The taxation credit for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2007	2006
	HK$	*HK$*
Profit (loss) before taxation	**7,832,541**	(23,166,081)
Taxation at Hong Kong Profits Tax rate of 17.5%	**1,370,695**	(4,054,064)
Tax effect of expenses not deductible for tax purpose	**2,422,133**	1,419,623
Tax effect of income not taxable for tax purpose	**(1,533,859)**	(2,293,652)
Tax effect of share of loss of an associate	**2,719,030**	3,163,944
Tax effect of share of (profit) loss of a jointly controlled entity	**(6,014,142)**	282,863
Tax effect of tax loss not recognised	**1,073,310**	1,493,569
Overprovision of taxation in prior years	**(100,000)**	(511,817)
Others	**(37,167)**	(12,283)
Taxation credit for the year	**(100,000)**	(511,817)

11. TAXATION CREDIT (Continued)

At 31 March 2007, the Group had estimated unused tax losses of approximately HK$193,232,000 (2006: HK$187,099,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

At the balance sheet date, the Group had deductible temporary differences of approximately HK$2,949,000 (2006: HK$3,159,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Except for the above, there was no other significant unprovided deferred taxation for the year or at the balance sheet date.

12. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to equity holders of the Company is based on the consolidated profit for the year attributable to equity holders of the Company of HK$7,932,541 (2006: a loss of HK$22,647,558) and on 535,359,258 (2006: 535,359,258) ordinary shares in issue during the year.

No diluted earnings (loss) per share has been presented as there were no potential ordinary shares in issue in both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery, equipment and motor vehicles	Furniture and fixtures	Leasehold improvements	Total
	HK$	*HK$*	*HK$*	*HK$*
COST				
At 1 April 2005	5,116,481	12,728,377	8,374,061	26,218,919
Exchange adjustment	1,518	488	–	2,006
Additions	74,494	69,393	–	143,887
Disposals	–	(199,043)	–	(199,043)
At 31 March 2006	5,192,493	12,599,215	8,374,061	26,165,769
Exchange adjustment	3,356	971	–	4,327
Additions	10,567	–	–	10,567
Disposals	(31,275)	–	–	(31,275)
At 31 March 2007	**5,175,141**	**12,600,186**	**8,374,061**	**26,149,388**
ACCUMULATED DEPRECIATION				
At 1 April 2005	4,859,720	3,331,929	8,204,306	16,395,955
Exchange adjustment	–	296	–	296
Charge for the year	122,857	307,702	165,867	596,426
Eliminated on disposals	–	(169,484)	–	(169,484)
At 31 March 2006	4,982,577	3,470,443	8,370,173	16,823,193
Exchange adjustment	893	764	–	1,657
Charge for the year	67,450	244,728	3,888	316,066
Eliminated on disposals	(6,878)	–	–	(6,878)
At 31 March 2007	**5,044,042**	**3,715,935**	**8,374,061**	**17,134,038**
CARRYING VALUES				
At 31 March 2007	**131,099**	**8,884,251**	**–**	**9,015,350**
At 31 March 2006	209,916	9,128,772	3,888	9,342,576

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Machinery, equipment and motor vehicles	20%
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease, if shorter

14. INTERESTS IN ASSOCIATES

	2007	2006
	HK$	*HK$*
Cost of unlisted investment in associates	**89,549,045**	89,549,045
Share of post-acquisition losses	**(79,926,806)**	(64,389,492)
Share of exchange reserve	**5,753,253**	4,551,480
Share of net assets	**15,375,492**	29,711,033

The following table lists only the particulars of the Group's associate at 31 March 2007 which principally affects the results or assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associate	Form of business structure	Place of registration and operation	Nominal value of capital contribution	Proportion of nominal value of registered capital held by the Group	Principal activity
Nanjing Dingshan Garden Hotel Company Ltd.	Sino-foreign equity joint venture	The PRC	US$25,600,000	45%	Hotel business

14. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$	*HK$*
Total assets	**424,536,230**	440,447,959
Total liabilities	**(390,991,343)**	(375,020,739)
Net assets	**33,544,887**	65,427,220
Group's share of net assets of associates	**15,375,492**	29,711,033
Revenue	**89,568,119**	94,802,396
Loss for the year	**(34,552,940)**	(40,205,538)
Group's shares of loss of an associate for the year	**(15,537,314)**	(18,079,680)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited/management accounts of associates, both for the year and cumulatively, are as follows:

	2007	2006
	HK$	*HK$*
Unrecognised share of losses of associates for the year	**(12,788)**	(14,236)
Accumulated unrecognised share of losses of associates	**(50,505)**	(37,717)

15. AMOUNTS DUE FROM ASSOCIATES

	2007	2006
	HK$	*HK$*
Current *(note 1)*	**13,500,000**	72,765,939
Non-current *(note 2)*	**86,311,168**	–
	99,811,168	72,765,939

15. AMOUNTS DUE FROM ASSOCIATES (Continued)

Notes:

(1) The amounts are unsecured, interest-free and are repayable on demand.

(2) The amount represents an interest-free balance with a face value of HK$93,000,284. As at 31 March 2007, the Directors reassessed the repayment ability and the business operation of the associate and considered that an interest-free balance with a face value of HK$93,000,284 is expected to be repayable one year after the balance sheet date. Accordingly, the balance is reclassified from current to non-current. At 31 March 2007, the present value of the face value amount was HK$86,311,168 using the original effective interest rate of 7.75% per annum. The change in carrying amount of this non-current interest-free amount due from an associate of HK$6,689,115 was charged to consolidated income statement.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2007	2006
	HK$	*HK$*
Cost of unlisted investment in a jointly controlled entity	**1,465,479**	1,465,479
Deemed distribution to a jointly controlled entity	**(2,883,584)**	–
Share of post-acquisition profits	**45,077,018**	10,710,494
Share of exchange reserve	**5,985,286**	417,043
Share of investment property revaluation reserve	**5,650,394**	–
	55,294,593	12,593,016

As at 31 March 2007, the Group had interest in the following jointly controlled entity:

Name of entity	**Form of business structure**	**Place of registration and operation**	**Proportion of nominal value of registered capital held by the Group**	**Principal activity**
Shanghai Qiao-Yi Real Estate Co., Ltd. ("Qiao-Yi") *(note)*	Sino-foreign equity joint venture	The PRC	80%	Property Development

16. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Note:

Qiao-Yi is held by the Group and a PRC minority shareholder ("Party A") at 80% and 20% respectively. In previous years, Qiao-Yi was undergoing voluntary dissolution. On further negotiation, an agreement was reached on 24 June 2003 between the two parties to continue the joint venture. Both parties agreed:

(i) To rescind the voluntary dissolution;

(ii) To relinquish their respective claims in the dispute;

(iii) To jointly hold the remaining parcel of land equally and share the profit/loss arising from the development of the aforesaid land on a 50:50 basis;

(iv) To jointly hold the club house, retail shops and carports equally;

(v) Other than items (iii) and (iv) mentioned above, the remaining net assets and the profit/loss will be distributed among the shareholders according to the revised ratios of 63.4% for the Group and 36.6% for Party A;

Pursuant to shareholders' agreements and the revised joint venture contract, revised articles of the joint venture as well as the supplementary documents, which are effective from 1 April 2004, Qiao-Yi became jointly controlled by the Group and the other shareholder. Therefore, Qiao-Yi was reclassified as a jointly controlled entity of the Group since 1 April 2004.

The summarised financial information in respect of the Group's interest in the jointly controlled entity which is accounted for using the equity method is set out below:

	2007	2006
	HK$	*HK$*
Current assets	**84,527,073**	53,240,477
Non-current assets	**5,317,451**	1,255,095
Current liabilities	**31,666,347**	41,902,556
Income *(Note)*	**92,430,821**	597,722
Expenses *(Note)*	**58,064,297**	2,214,083

16. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Note: The increase of the Group's share of profit of the jointly controlled entity was mainly due to the Group's share of gain arising from fair value changes of investment properties of approximately HK$4,454,000, reversal of previously recognised impairment loss of properties transferred from property, plant and equipment to investment properties of approximately HK$8,564,000 and profit recognised on the sales of properties held for sale (net of administrative expenses) of approximately HK$21,300,000 during the year ended 31 March 2007.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2007 & 2006
	HK$
Unlisted equity securities, at cost	4,349,000

The available-for-sale investments stated at cost represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. OTHER RECEIVABLE

Other receivable represents an interest-free loan granted to a third party with a face value of HK$1,500,000 and is repayable in year 2013. At 31 March 2007, the fair value of the other receivable was HK$1,156,421 using effective interest method at an effective interest rate of 4.72% per annum. The imputed interest income credited to the consolidated income statement during the year is HK$82,452.

19. INVENTORIES

	2007	2006
	HK$	*HK$*
General merchandise, at net realisable value	**126,504**	–

The cost of inventories recognised as an expense during the year was HK$3,679,720 (2006: HK$8,611,129).

20. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK$4,260,821 (2006: HK$2,005,211), net of allowance HK$95,394 (2006: HK$127,530). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	2007	2006
	HK$	*HK$*
Aged:		
0 to 60 days	**3,062,920**	117,877
61 to 90 days	**21,304**	219,507
More than 90 days	**1,176,597**	1,667,827
	4,260,821	2,005,211

21. INVESTMENTS HELD FOR TRADING

	2007	2006
	HK$	*HK$*
Equity securities listed in Hong Kong	**270,000**	10,786,500

22. BANK BALANCES AND CASH

Bank balances have an original maturity of less than three months and carry an average market rate of 3.3% (2006: 1.5%) per annum.

23. OTHER CURRENT FINANCIAL LIABILITIES

Included in accounts payable and accrued charges are trade creditors of HK$2,010,357 (2006: HK$1,231,664) and bills payable of HK$1,103,916 (2006: nil). The aged analysis of trade creditors and bills payable are as follows:

	2007	2006
	HK$	*HK$*
Aged:		
0 to 60 days	**2,932,914**	935,787
More than 90 days	**181,359**	295,877
	3,114,273	1,231,664

Amounts due to minority shareholders, advance from an investee company, dividend payable and bills payable are unsecured, interest-free and are repayable on demand.

23. OTHER CURRENT FINANCIAL LIABILITIES (Continued)

Amount due to a jointly controlled entity was unsecured, interest-free and was repayable on demand.

Bank overdrafts are repayable on demand and carry variable interest rate at 0.25% per annum over Hong Kong dollar best lending rate. The effective interest rate is 8.00% per annum.

24. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	2007	2006
	HK$	*HK$*
Cost incurred to date plus estimated attributable profits less foreseeable losses	**71,702**	–
Less: Progress payments received and receivable	**(169,570)**	–
	(97,868)	–
Represented by:		
Due to customers for contract work included in current liabilities	**(97,868)**	–

25. AMOUNTS DUE TO RELATED COMPANIES

	2007	2006
	HK$	*HK$*
Current *(note 1)*	**8,500,747**	15,155,237
Non-current *(note 2)*	**9,685,708**	–
	18,186,455	15,155,237

Notes:

(1) The amounts are unsecured, interest-free and are repayable on demand.

(2) The amount represents an interest-free balance with a face value of HK$10,436,350. As at 31 March 2007, the related company confirmed to the Group that the balance would not be repayable one year after the balance sheet date. Accordingly, the balance is reclassified from current to non-current. At 31 March 2007, the fair value of the amounts were valued at HK$9,685,708 on an effective interest method with an effective interest rate of 7.75% per annum. The gain arising on non-current interest-free amount due to a related company credited to the consolidated income statement during the year is HK$750,642.

26. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2005, 31 March 2006 and 31 March 2007	8,500,000,000	850,000,000
Issued and fully paid:		
At 1 April 2005, 31 March 2006 and 31 March 2007	535,359,258	53,535,926

27. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

Amount represents an interest-free loan granted with a face value of HK$40,091,118. As at 31 March 2007, the jointly controlled entity confirmed to the Group that the balance would not be repayable one year after the balance sheet date. Accordingly, the balance is re-classified from current to non-current. At 31 March 2007, the fair value of the amount was HK$37,207,534 using effective interest method at an effective interest rate of 7.75% per annum. The deemed distribution of HK$2,883,584 was included in interest in a jointly controlled entity.

28. DISPOSAL OF A SUBSIDIARY

On 12 March 2007, the Group disposed a subsidiary, China Garden Limited, which was engaged in investment holding, at nil consideration. The net liabilities of China Garden Limited at the date of disposal were as follows:

	HK$
Net liabilities disposed of – amounts due to minority shareholders	(1,997,726)
Gain on disposal	1,997,726
Total consideration	–

The subsidiary disposed during the year did not have any significant contribution of the Group's turnover, profit before taxation and cash flows.

29. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK$136,473 (2006: HK$139,083).

In accordance with regulations issued by the Shanghai Municipal Government, the PRC, a subsidiary of the Company is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The total amount contributed by the Group to the scheme and charged to the income statement was HK$2,018 (2006: contributions of HK$5,204).

30. RELATED PARTY TRANSACTIONS

Apart from the amounts due from/to related companies as disclosed in notes 15, 23, 25 and 27 respectively during the year, 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 ("related companies"):

	An associate		**Related companies**	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Sales	**–**	–	**–**	1,205,962
Management fee income received from	**5,194,393**	2,599,140	**–**	–
Building management fee paid to	**–**	–	**120,204**	101,016
Management fee paid to	**–**	–	**557,704**	368,426
General expenses paid to	**–**	–	**408,647**	411,799
Contract expense paid to	**–**	–	**–**	95,660

30. RELATED PARTY TRANSACTIONS (Continued)

A related company provided certain area for the Group to use as the Group's office premises at no cost.

Certain Directors of the related companies are also the Company's Directors and two Directors of a related company are children of one of the Company's Directors.

Compensation of key management personnel

The remuneration of members of key management of the Group during the year as follows:

	2007	2006
	HK$	*HK$*
Salaries and other short-term employee benefits	**1,069,500**	996,000
Retirement benefits costs	**12,000**	4,000
	1,081,500	1,000,000

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2007 which principally affect the results or assets of the Group as the Directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Place of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
				%	%	
Dragon Spirit Limited	British Virgin Islands	Ordinary	US$1	–	100	Investment holding
Gallaria Furnishings International Limited	Hong Kong	Ordinary	HK$2,000,020	–	100	Decoration contractor and trading

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Hebo Urge Company Limited	Hong Kong	Ordinary	HK$2	100	–	Painting owner
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK$10,000,000	–	100	Investment holding
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK$2	–	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK$2	–	100	Personnel management
Newmeadow Limited	British Virgin Islands	Ordinary	US$1	–	100	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US$4	100	–	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK$1,000	100	–	Investment holding
張家港保税區港麗國際貿易有限公司 *(note)*	The PRC	Registered Capital	US$200,000	–	100	Decoration contractor and trading

Note: Wholly foreign owned enterprise and operating in the PRC.

None of the subsidiaries had issued any debt securities during the year or at 31 March 2007.

Five Years Financial Summary

FOR THE YEAR ENDED 31 MARCH 2007

	2003 *HK$*	2004 *HK$*	2005 *HK$*	2006 *HK$*	**2007** ***HK$***
CONSOLIDATED RESULTS					
Revenue	46,911,430	57,237,652	9,491,207	18,220,724	**22,371,767**
Profit (loss) for the year attributable to equity holders of the Company	(56,689,304)	(21,015,059)	(21,642,239)	(22,647,558)	**7,932,541**
Basic earnings (loss) per share	(10.59 cents)	(3.93 cents)	(4.04 cents)	(4.23 cents)	**1.48 cents**
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	262,859,282	232,528,920	181,878,861	150,456,377	**198,889,667**
Total liabilities	(92,117,148)	(60,118,211)	(46,532,281)	(40,782,939)	**(67,337,691)**
	170,742,134	172,410,709	135,346,580	109,673,438	**131,551,976**
Equity attributable to equity holders of the Company	165,048,426	159,760,602	133,678,479	109,673,438	**131,551,976**
Minority interests	5,693,708	12,650,107	1,668,101	–	**–**
	170,742,134	172,410,709	135,346,580	109,673,438	**131,551,976**

僑福建設企業機構

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