# THE HONG KONG PARKVIEW GROUP LTD.

# 僑福建設企業機構*

ANNUAL REPORT 2007-2008 二零零七年至二零零八年度年報

Stock Code 股份代號：207

* For identification purposes only 僅供識別

# 公司資料

# Corporate Information

**執行董事**
黃健華－主席
黃又華
黃幼華
黃德華

**Executive Directors**
Wong Kin Wah, George – Chairman
Hwang Yiou Hwa, Victor
Hwang Yiu Hwa, Richard
Hwang Teh Hwa, Tony

**獨立非執行董事**
劉漢銓金紫荊星章，太平紳士
林建明
胡國祥榮譽勳章

**Independent Non-executive Directors**
Lau Hon Chuen, Ambrose, G.B.S., J.P.
Lam Kin Ming, Lawrence
Wu Kwok Cheung, MH

**公司秘書**
蘇兆佳

**Company Secretary**
So Siu Kai

**法定代表**
黃健華
黃又華

**Authorised Representatives**
Wong Kin Wah, George
Hwang Yiou Hwa, Victor

**註冊辦事處**
Clarendon House, Church Street
Hamilton HM11, Bermuda

**Registered Office**
Clarendon House, Church Street
Hamilton HM11, Bermuda

**香港總辦事處**
香港大潭水塘道88號

**Principal Office in Hong Kong**
88 Tai Tam Reservoir Road
Hong Kong

**核數師**
德勤•關黃陳方會計師行

**Auditors**
Deloitte Touche Tohmatsu

**主要往來銀行**
中國銀行(香港)有限公司
中國工商銀行(亞洲)有限公司

**Principal Bankers**
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited, Hong Kong

**股份登記及過戶處**
卓佳廣進有限公司
香港灣仔
皇后大道東二十八號
金鐘匯中心二十六樓

**Registrars and Share Transfer Office**
Tricor Progressive Limited
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Tesbury Centre
28 Queen's Road East
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**股份代號**
207

**Stock Code**
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# Contents

# Chairman's Statement

On behalf of the Board of Directors, I present the 2007/08 Annual Report to the Shareholders.

**RESULTS**

The Group's audited results for the financial year ended 31 March 2008 was a loss of HK$16,837,193 attributed to equity holders of the Company compared to a profit of HK$7,932,541 for the previous year.

**REVIEW & OUTLOOK**

During the year ended 31 March 2008, the Group continued to focus on its main investments in property development and hotel operations in China. Both areas were unable to generate positive results for the financial year.

After the completion and sales of the second phase of the property development project in Shanghai by a jointly controlled company in the last financial year, the Group is continually looking for further development opportunities in that market. However, the current global economic situation in which the US economy is expected to slow down significantly and the mainland continues to tighten its macro-economic policy on the property market have cast uncertainties in the near term. The Group will therefore exercise caution in its search for investment opportunities in the mainland.

Although the Group's interest in the Nanjing hotel project, Nanjing Dingshan Garden Hotel, reported a loss for the year ended 31 March 2008, the results have continued to improve when compared to those of previous financial years. The Group has continued active discussions with its China partner and is expected to achieve some progress soon over the shareholding issue and the completion of the second phase of the hotel. Once completed, the addition of 309 rooms is expected to bring the hotel project back to profitability and generate reasonable results for the Group.

Meanwhile, the Group's ongoing efforts to curb costs resulted in improved gross profit ratio. At the same time, the Group managed to keep its administrative expenses at the same level as last year.

The overall economic outlook in China is currently clouded by the rising inflation, increasing energy costs and stock market volatility. However, the Group still believe that there are still business opportunities in the market that the Group, with its established foothold in the mainlands can tap and explore for the long term benefits of its 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, 18 July 2008

## OPERATING RESULTS

Turnover of the Group for the financial year ended 31 March 2008 amounted to HK$6,247,246. Loss attributable to shareholders for the year totaled HK$16,837,193.

## PROPERTY & HOSPITALITY DIVISION

### Nanjing Dingshan Garden Hotel, Nanjing, China

Despite the negative result, the current financial year had seen certain improvement resulting in lesser losses when compared to the previous financial year.

The main focus for this investment is to complete the stalled decoration works in the second phase of the 5-star hotel. After completion of the additional 309 guestrooms, the hotel will become fully operational and more competitive in attracting high-yield business travellers. In view of the dining and lodging industry's rapid growth in China, the Group is confident on the future prospect of this investment. For this reason, the Group is continually engaging its China partner in active discussions to re-start the aforesaid stalled work as well as resolve the shareholding issue. These discussions made some progress during the year and it is likely that a final and satisfactory resolution can be reached shortly. When it happens, the hotel is expected to generate positive and sustainable returns to both partners.

### Shanghai Garden City, Shanghai, China

The final phase of this project was completed in the last financial year. As all the residential units and a large number of shops were successfully sold in last financial year, this segment did not bring much contribution to the Group for the current financial year.

The conservative approach adopted by the Group during the year under review proved to be successful as the property market in China showed signs of slowing down in 2007 and the first half of 2008 after the Central Government enforced tough macro-economic policies to curb property speculation.

Although these policies brought about uncertainties in the property market in the short term, the Group views it as a positive step towards creating a healthy and stable market in the long term. With an experienced management team, the Group will continue to adopt a vigilant strategy together with its partner to search for property development opportunities in the mainland.

## TRADING SALES AND CONTRACT WORKS

The project-based sales remained weak and only few projects were undertaken during the year ended 31 March 2008. At the same time, profit margins were narrower than expected due to unforeseen higher labour and material costs.

## FINANCIAL POSITION

Apart from HK$4.1 million in bank overdrafts (2007: HK$2.7 million), the Group had minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 2.16% (2007: 1.36%).

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 2008, the Group had HK$11.2 million net current liabilities (2007: HK$6.9 million net current assets).

## CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31 March 2008 (2007: nil).

## CONTINGENT LIABILITIES

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 2008 was 13 compared with 18 at 31 March 2007. 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 2008, except that one of the three Independent Non-executive Directors is not appointed for a specific term.

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 2008.

## 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 biographies of the current Directors are set out on page 13 of this annual report.

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.

**THE BOARD COMPOSITION AND BOARD PRACTICES** (Continued)

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 meetings and committee meetings, including Audit Committee meeting.

Full board meetings 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 | 4/4 |
| *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, MH | 4/4 |

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.

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 board's 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 BOARD COMPOSITION AND BOARD PRACTICES** (Continued)

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.

Prior to 28 August 2007, two of the three Independent Non-executive Directors of the Company, Mr. Wu Kwok Cheung, MH and Mr. Lau Hon Chuen, Ambrose, G.B.S., JP, were appointed for terms of one year and three years respectively in compliance with the code provision A.4.1. The third Independent Non-executive Director, Mr. Lam Kin Ming, Lawrence, was not appointed for a specific term as this was not a specific requirement of the Bye-laws of the Company at that time of his appointment in 2005. Nevertheless, all the Independent Non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws of the Company.

To fully comply with the code provision A.4.1. of the CG Code, at the annual general meeting held on 28 August 2007, Mr. Lam Kin Ming, Lawrence was appointed as Independent Non-executive Director for a term of three years and thereafter all Independent Non-executive Directors of the Company were appointed for a specific term in compliance with the Code.

**REMUNERATION OF DIRECTORS**

The Company 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 emolument policy are set out on page 18 of this annual report.

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. 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, reappointment 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;

**AUDIT COMMITTEE** (Continued)

– 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.

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, MH | 2/2 |

**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 20 to 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.

Procedures have been set up for safeguarding assets against unauthorized 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 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 2007/08, fees paid to Deloitte Touche Tohmatsu ("Deloitte") and other auditors of subsidiary companies for taxation service were HK$37,100 and HK$Nil respectively. Fees payable for audit and audit related services to Deloitte and other auditors were HK$828,750 and HK$16,000 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 Remuneration 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, 18 July 2008

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2008.

## 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 35, 16 and 19 to the consolidated financial statements respectively.

## RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 22.

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 30 to the consolidated financial statements

## RESERVES

As at 31 March 2008, the Company's reserves available for distribution in accordance with the Bermuda Companies Act consist of contributed surplus less deficit amounting to HK$12,319,482.

## 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 15 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, MH

In accordance with the Company's Bye-laws, Messrs. Hwang Yiou Hwa, Victor, Hwang Yiu Hwa, Richard and Lau Hon Chuen, Ambrose, G.B.S., J.P. shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

**DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS**

During the year, the Group had the following transactions with Parkview (Suites) Limited of which two children of Mr. Wong Kin Wah, George are Directors and have beneficial interests:

(i) Building management fee of HK$125,256 was paid for office management services provided to the Group.

(ii) General expenses of HK$505,544 were paid for daily operating activities provided to the Group.

The Independent Non-executive Directors confirm that the transactions set out above 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.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate 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.

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.

## MANAGEMENT PROFILES

### A. Executive Directors

**Mr. Wong Kin Wah, George,** aged 56 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 54 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 in the Group.

**Mr. Hwang Yiu Hwa, Richard,** aged 53 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 52 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 61, 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 53, is the Senior Vice President of PCCW, a company whose principal business is to provide telecom equipment and related services. He has been serving the Company since 2006. 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 of the Company in 2004.

**Mr. Wu Kwok Cheung,** MH, aged 76, 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 68, 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 53 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 overall management of the Group. He is a Director of several member companies of the Group.

**Mr. Ng Chan Shing, Lawrence,** aged 64 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 2008, 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:

**DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY** (Continued)

**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 |
|---|---|---|---|
| Mr. 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% |
| Mr. Hwang Yiou Hwa, Victor | Held by controlled corporation *(Note 2)* | 293,674,138 | 54.9% |
| Mr. Hwang Yiu Hwa, Richard | Held by controlled corporation *(Note 2)* | 293,674,138 | 54.9% |
| Mr. 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 2008.

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 2008, 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.

**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% |
| Mr. 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 2008.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers during the year was 15.8% and 54.2%, respectively.

The percentage of sales attributable to the Group's largest customer and the five largest customers during the year was 53.2% and 88.6%, 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 are 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

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") considers that the Company has complied with the code provisions as set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008, except for the following deviation:

Code provision A.4.1 stipulates that Independent Non-executive Directors should be appointed for specific terms and subject to re-election. Prior to 28 August 2007, two of the three Independent Non-executive Directors of the Company, Mr. Wu Kwok Cheung, MH and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., 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, was not appointed for a specific term as this was not a specific requirement of the Bye-laws of the Company at that time of his appointment in 2005. Nevertheless, all the Independent Non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws of the Company. At the annual general meeting held on 28 August 2007, Mr. Lam was appointed as Independent Non-executive Director for a term of three years and thereafter, all the Independent Non-executive Directors of the Company were appointed for specific terms in compliance with the Code.

Further information is set out in the Corporate Governance Report on page 5 to 10 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 2008.

## 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 2008 of the Group.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## EMOLUMENT POLICY

The emolument 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 maintained a sufficient public float throughout the year ended 31 March 2008.

## DEPOSITS PAID TO AFFILIATED COMPANIES AMOUNTING TO MORE THAN 8% OF THE ASSETS RATIO

During the year ended 31 March 2008, the Group and other shareholders of Nanjing Dingshan Garden Hotel Company Ltd. ("NJ Dingshan") anticipated to capitalise the interest-free loan to Dingshan Garden. The registration of these additional capital to NJ Dingshan is in progress as at 31 March 2008 and the Directors believe that the registration would be completed in 2009. Accordingly, the carrying amount of interest-free loan to the associate of HK$106,764,554 is reclassified from amount due from an associate to deposit paid for investment in an associate. The unaudited balance sheet of Nanjing Dingshan Garden Hotel Company Ltd. as at 31 March 2008 is set out below:

| | *HK$* |
|---|---|
| Non-current assets | 414,335,466 |
| Current assets | 23,537,484 |
| Current liabilities | (171,067,694) |
| Non-current liabilities | (247,325,790) |
| Net assets | 19,479,466 |

Details of Nanjing Dingshan Garden Hotel Company Ltd. are set out in note 16 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, 18 July 2008

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 22 to 67, which comprise the consolidated balance sheet as at 31 March 2008 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 of the Company, 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 2008 and of the Group's loss 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
18 July 2008

# Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Notes | 2008<br>HK$ | 2007<br>HK$ |
|---|---|---|---|
| Revenue | 7 | **6,247,246** | 22,371,767 |
| Cost of sales | | **(1,867,209)** | (15,623,671) |
| Gross profit | | **4,380,037** | 6,748,096 |
| Other income, gains and losses | | **7,945,577** | (5,465,617) |
| Administrative expenses | | **(13,693,984)** | (13,594,753) |
| Net change in fair value of investments held for trading | | **351,000** | 503,718 |
| Finance costs | 9 | **(3,108,672)** | (189,682) |
| Impairment loss recognised in respect of available-for-sale investments | 20 | **(2,112,700)** | (1,186,000) |
| Impairment loss recognised in respect of amounts due from associates | | **(487,564)** | – |
| Gain on disposal of a subsidiary | 32 | **–** | 1,997,726 |
| Gain on liquidation of subsidiaries | | **–** | 189,843 |
| Gain on derecognition of advance from an investee company | 27 | **3,460,560** | – |
| Share of losses of associates | 16 | **(9,031,178)** | (15,537,314) |
| Share of (loss) profit of a jointly controlled entity | | **(4,540,269)** | 34,366,524 |
| (Loss) profit before taxation | 10 | **(16,837,193)** | 7,832,541 |
| Taxation credit | 13 | **–** | 100,000 |
| (Loss) profit for the year | | **(16,837,193)** | 7,932,541 |
| (Loss) earnings per share – basic | 14 | **HK(3.15 cents)** | HK1.48 cents |

# Consolidated Balance Sheet

AT 31 MARCH 2008

| | Notes | 2008 HK$ | 2007 HK$ |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 15 | **8,728,354** | 9,015,350 |
| Interests in associates | 16 | **7,505,014** | 15,375,492 |
| Deposits paid for investment in an associate | 17 | **106,764,554** | – |
| Amounts due from an associate | 18 | **–** | 86,311,168 |
| Interest in a jointly controlled entity | 19 | **54,587,985** | 55,294,593 |
| Available-for-sale investments | 20 | **2,236,300** | 4,349,000 |
| Other receivable | 21 | **1,104,677** | 1,156,421 |
| | | **180,926,884** | 171,502,024 |
| Current assets | | | |
| Inventories | 22 | **–** | 126,504 |
| Amounts due from customers for contract work | 28 | **1,943** | – |
| Accounts receivable and prepayments | 23 | **1,978,912** | 5,172,200 |
| Amounts due from associates | 18 | **–** | 13,500,000 |
| Investments held for trading | 24 | **621,000** | 270,000 |
| Bank balances and cash | 25 | **3,747,823** | 8,318,939 |
| | | **6,349,678** | 27,387,643 |
| Current liabilities | | | |
| Accounts and other payables and accrued charges | 26 | **2,585,236** | 3,634,475 |
| Amounts due to customers for contract work | 28 | **–** | 97,868 |
| Bills payable | | **–** | 1,103,916 |
| Advance from an investee company | 27 | **–** | 3,460,560 |
| Amounts due to related companies | 29 | **9,962,060** | 8,500,747 |
| Tax payable | | **59,215** | 59,215 |
| Dividend payable | | **885,225** | 885,225 |
| Bank overdrafts | 27 | **4,052,693** | 2,702,443 |
| | | **17,544,429** | 20,444,449 |
| Net current (liabilities) assets | | **(11,194,751)** | 6,943,194 |
| Total assets less current liabilities | | **169,732,133** | 178,445,218 |

# Consolidated Balance Sheet

AT 31 MARCH 2008

| | Notes | **2008** **HK$** | 2007 HK$ |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 30 | **53,535,926** | 53,535,926 |
| Reserves | | **68,188,263** | 78,016,050 |
| Equity attributable to equity holders of the Company | | **121,724,189** | 131,551,976 |
| Non-current liabilities | | | |
| Amount due to a jointly controlled entity | 31 | **25,773,883** | 37,207,534 |
| Amounts due to related companies | 29 | **22,234,061** | 9,685,708 |
| | | **48,007,944** | 46,893,242 |
| | | **169,732,133** | 178,445,218 |

The financial statements on pages 22 to 67 were approved and authorised for issue by the Board of Directors on 18 July 2008 and are signed on its behalf by:

**Wong Kin Wah, George**
*DIRECTOR*

**Hwang Yiou Hwa, Victor**
*DIRECTOR*

| | Share capital *HK$* | Capital redemption reserve *HK$* | Capital reduction reserve *HK$* | Investment revaluation reserve *HK$* | Property revaluation surplus *HK$* | Contributed surplus *HK$* | Exchange reserve *HK$* | Accumulated deficit *HK$* | Total *HK$* |
|---|---|---|---|---|---|---|---|---|---|
| At 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 |
| Exchange difference arising on translation of foreign operation | – | – | – | – | – | – | 339,587 | – | 339,587 |
| Share of exchange reserve of associates | – | – | – | – | – | – | 1,201,773 | – | 1,201,773 |
| Share of exchange reserve of a foreign jointly controlled entity | – | – | – | – | – | – | 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 |
| Net gain recognised directly in equity | – | – | – | – | 5,650,394 | – | 7,109,603 | – | 12,759,997 |
| Impairment loss recognised to profit or loss | – | – | – | 1,186,000 | – | – | – | – | 1,186,000 |
| Profit for the year | – | – | – | – | – | – | – | 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 |
| At 31 March 2007 and 1 April 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 |
| Exchange difference arising on translation of foreign operation | – | – | – | – | – | – | 661,916 | – | 661,916 |
| Share of exchange reserve of associates | – | – | – | – | – | – | 1,160,700 | – | 1,160,700 |
| Share of exchange reserve of a foreign jointly controlled entity | – | – | – | – | – | – | 5,186,790 | – | 5,186,790 |
| Net gain recognised directly in equity | – | – | – | – | – | – | 7,009,406 | – | 7,009,406 |
| Loss for the year | – | – | – | – | – | – | – | (16,837,193) | (16,837,193) |
| Total recognised income for the year | – | – | – | – | – | – | 7,009,406 | (16,837,193) | (9,827,787) |
| At 31 March 2008 | 53,535,926 | 2,382,000 | 85,844,959 | – | 5,650,394 | 329,928,202 | 10,896,588 | (366,513,880) | 121,724,189 |

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 2008

| | 2008 | 2007 |
|---|---|---|
| | ***HK$*** | HK$ |
| OPERATING ACTIVITIES | | |
| (Loss) profit before taxation | **(16,837,193)** | 7,832,541 |
| Adjustments for: | | |
| Bad debts written off for other receivables | **16,478** | 104,077 |
| Interest earned on bank deposits | **(91,653)** | (182,696) |
| Change in fair value of non-current interest-free on other receivable | **51,744** | (82,452) |
| Changes in fair value of non-current interest-free on amounts due to related companies | **(415,754)** | (750,642) |
| Interest expense | **225,088** | 189,682 |
| Imputed interest expense on amount due to a jointly controlled entity | **2,883,584** | – |
| Depreciation of property, plant and equipment | **297,517** | 316,066 |
| Allowances for bad and doubtful debts | **770,581** | 95,394 |
| Imputed interest income on non-current interest-free amounts due from associates | **(6,689,115)** | – |
| Impairment loss recognised in respect of available-for-sale investments | **2,112,700** | 1,186,000 |
| Impairment loss recognised in respect of amounts due from associates | **487,564** | – |
| Share of losses of associates | **9,031,178** | 15,537,314 |
| Share of loss (profit) of a jointly controlled entity | **4,540,269** | (34,366,524) |
| Loss on disposal of property, plant and equipment | **3,099** | – |
| Gain on liquidation of subsidiaries | **–** | (189,843) |
| Gain on derecognition of advance from an investee company | **(3,460,560)** | – |
| Reversal of allowance for inventories | **(549,815)** | (99,645) |
| Gain on disposal of a subsidiary | **–** | (1,997,726) |
| Operating cash flows before movements in working capital | **(7,624,288)** | (12,408,454) |
| Decrease (increase) in inventories | **676,319** | (26,859) |
| Decrease (increase) in accounts receivable and prepayments | **2,406,229** | (1,791,701) |
| (Increase) decrease in investments held for trading | **(351,000)** | 10,516,500 |
| Increase in amounts due from customers for contract work | **(1,943)** | – |
| (Decrease) increase in accounts payable and accrued charges | **(1,049,239)** | 438,421 |
| (Decrease) increase in amounts due to customers for contract work | **(97,868)** | 97,868 |
| (Decrease) increase in bills payable | **(1,103,916)** | 1,103,916 |
| NET CASH USED IN OPERATING ACTIVITIES | **(7,145,706)** | (2,070,309) |

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | 2008 | 2007 |
|---|---|---|
| | *HK$* | *HK$* |
| INVESTING ACTIVITIES | | |
| Interest received | **91,653** | 182,696 |
| Decrease (increase) in amounts due from associates | **(751,835)** | (27,045,230) |
| Payments on liquidation of subsidiaries | **–** | (489) |
| Purchase of property, plant and equipment | **(9,890)** | (10,567) |
| Proceeds on disposal of property, plant and equipment | **–** | 24,397 |
| NET CASH USED IN INVESTING ACTIVITIES | **(670,072)** | (26,849,193) |
| FINANCING ACTIVITIES | | |
| (Decrease) increase in amount due to a jointly controlled entity | **(12,964,106)** | 26,665,750 |
| Increase in amounts due to related companies | **14,425,420** | 3,781,860 |
| Interest paid | **(225,088)** | (189,682) |
| Increase in bank overdrafts | **1,350,250** | 198,726 |
| NET CASH FROM FINANCING ACTIVITIES | **2,586,476** | 30,456,654 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(5,229,302)** | 1,537,152 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | **8,318,939** | 6,254,374 |
| EFFECT ON FOREIGN EXCHANGE RATE CHANGES | **658,186** | 527,413 |
| CASH AND CASH EQUIVALENTS, END OF YEAR, represented by bank balances and cash | **3,747,823** | 8,318,939 |

## 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of approximately HK$11,195,000 as at 31 March 2008. Since the balance sheet date, the directors of the Company have taken various active steps to obtain additional funding to the Group. On 17 July 2008, a related company has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. 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 standard, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for the Group's financial year beginning 1 April 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures |
| HKFRS 7 | Financial instruments: Disclosures |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 |
| HK(IFRIC) – INT 9 | Reassessment of embedded derivatives |
| HK(IFRIC) – INT 10 | Interim financial reporting and impairment |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and treasury share transactions |

The adoption of these New HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of financial statements[1] |
| HKAS 23 (Revised) | Borrowing costs[1] |
| HKAS 27 (Revised) | Consolidated and separate financial statements[2] |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation[1] |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations[1] |
| HKFRS 3 (Revised) | Business combinations[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – INT 12 | Service concession arrangements[3] |
| HK(IFRIC) – INT 13 | Customer loyalty programmes[4] |
| HK(IFRIC) – INT 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3] |

[1] Effective for accounting periods beginning on or after 1 January 2009.

[2] Effective for accounting periods beginning on or after 1 July 2009.

[3] Effective for accounting periods beginning on or after 1 January 2008.

[4] Effective for accounting periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain interest-free financial instruments which are adjusted to its fair value on initial recognition and 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 ("HKFRSs") 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 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.

### 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 fixed price supply and installation contracts is recognised on the percentage of completion method, measured by reference to the value of work certified during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Revenue recognition** (Continued)

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.

**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.

**4. 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.

Where 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.

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

**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Construction contracts** (Continued)

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 works. 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 works. 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.

**Impairment of tangible assets**

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.

**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 year. 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 years 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 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.

**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Taxation** (Continued)

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.

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 Group (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.

**Retirement benefits costs**

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

**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

***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.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

*Financial assets held for trading*

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future.

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.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial instruments** (Continued)

***Financial assets*** (Continued)

*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, other receivable, amounts due from associates and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of financial assets held for trading, loans and receivables or held-to-maturity investments. 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 (see accounting policy on impairment loss on financial assets below).

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 (see accounting policy on impairment loss on financial assets below).

***Impairment of financial assets***

Financial assets, other than financial assets held for trading, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial instruments** (Continued)

***Impairment of financial assets*** (Continued)

For loan and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Financial instruments** (Continued)

***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.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including accounts and other payables, bills payable, 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.

*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 and 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares as well as the issue of new debt or the repayment of existing debt.

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Financial assets | | |
| Held for trading investments | **621,000** | 270,000 |
| Available-for-sale investments | **2,236,300** | 4,349,000 |
| Loans and receivables (including cash and cash equivalents) | **6,676,792** | 114,248,223 |
| Financial liabilities | | |
| Amortised cost | **63,877,156** | 66,150,824 |

### Financial risk management objectives and policies

The Group's financial instruments include accounts receivable, other receivable, amounts due from associates, bank balances, accounts and other payables, bills payable, amounts due to an investee company, a jointly controlled entity and related companies, bank overdrafts 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.

**6. FINANCIAL INSTRUMENTS** (Continued)

**Financial risk management objectives and policies** (Continued)

***Market risk***

*Currency risk*

The Group has minimal exposure on foreign currency risk as all of the Group's transactions are denominated in the functional currency of each individual group entity.

The directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates is minimal as none of the assets and liabilities of the group denominated in currency other than functional currency of a particular group entity as at each of the balance sheet dates.

*Interest rate risk*

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank balances and bank overdrafts 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.

*Sensitivity analysis*

For variable-rate bank overdrafts, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2008 would increase/decrease by HK$20,263 (2007: profit will decrease/increase by HK$13,512). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

*Other price risk*

The Group is exposed to equity securities price risk through its held for trading investment and available-for-sale investment. 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.

## 6. FINANCIAL INSTRUMENTS (Continued)

**Financial risk management objectives and policies** (Continued)

***Market risk*** (Continued)

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity securities price risks on held-for-trading investments at the reporting date. If the prices of the respective equity instruments had been 5% higher, loss for the year would decrease by HK$62,000 (2007: increase in profit for the year by HK$27,000) for the Group, and vice versa.

***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 2008 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.

At 31 March 2007, the Group had significant concentration of credit risk on amount due from an associate, Nanjing Dingshan Garden Hotel Company Ltd. ("NJ Dingshan"), of HK$99,323,664. During the year ended 31 March 2008, amount due from NJ Dingshan is going to capitalise as additional capital to NJ Dingshan as disclosed in note 17. Except for this, 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.

## 6. FINANCIAL INSTRUMENTS (Continued)

**Financial risk management objectives and policies** (Continued)

***Liquidity risk***

The Group had net current liabilities as at 31 March 2008, which was exposed to liquidity risk. In order to mitigate the liquidity risk, the management obtained the financial support from a related company who has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

*Liquidity and interest risk tables*

| | Weighted average effective interest rate | Repayable on demand or less than 3 months | 3 – 6 months | 6 months to 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount at 31.03.2008 |
|---|---|---|---|---|---|---|---|
| | % | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| 2008 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts and other payable | – | 969,234 | – | – | – | 969,234 | 969,234 |
| Amounts due to related companies | 5.25% | 9,979,060 | – | – | 23,400,457 | 33,379,517 | 32,196,121 |
| Dividend payable | – | 885,225 | – | – | – | 885,225 | 885,225 |
| Bank overdrafts | 7.75% | 4,052,693 | – | – | – | 4,052,693 | 4,052,693 |
| Amounts due to a jointly controlled entity | 5.25% | – | – | – | 27,127,012 | 27,127,012 | 25,773,883 |
| | | 15,886,212 | – | – | 50,527,469 | 66,413,681 | 63,877,156 |

**6. FINANCIAL INSTRUMENTS** (Continued)

**Financial risk management objectives and policies** (Continued)

***Liquidity risk*** (Continued)

*Liquidity and interest risk tables* (Continued)

| | Weighted average effective interest rate | Repayable on demand or less than 3 months | 3 – 6 months | 6 months to 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount at 31.03.2007 |
|---|---|---|---|---|---|---|---|
| | % | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| 2007 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts and other payable | – | 2,604,691 | – | – | – | 2,604,691 | 2,604,691 |
| Bills payable | – | 1,103,916 | – | – | – | 1,103,916 | 1,103,916 |
| Advance from an investee company | – | 3,460,560 | – | – | – | 3,460,560 | 3,460,560 |
| Amounts due to related companies | 7.75% | 8,500,747 | – | – | 10,436,350 | 18,937,097 | 18,186,455 |
| Dividend payable | – | 885,225 | – | – | – | 885,225 | 885,225 |
| Bank overdrafts | 8.00% | 2,702,443 | – | – | – | 2,702,443 | 2,702,443 |
| Amounts due to a jointly controlled entity | 7.75% | – | – | – | 40,091,118 | 40,091,118 | 37,207,534 |
| | | 19,257,582 | – | – | 50,527,468 | 69,785,050 | 66,150,824 |

**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.

## 7. 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:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Income from decoration contracts | **879,264** | 13,592,516 |
| Management fee income | **3,322,157** | 5,194,393 |
| Trading of furniture | **2,045,825** | 3,526,635 |
| Dividend income from investments held for trading | **–** | 58,223 |
| | **6,247,246** | 22,371,767 |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

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

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

Segment information about these businesses is presented below:

**2008**

| | Decoration contractor *HK$* | Trading of furniture *HK$* | Management services *HK$* | Investment holding *HK$* | Consolidated *HK$* |
|---|---|---|---|---|---|
| REVENUE | 879,264 | 2,045,825 | 3,322,157 | – | 6,247,246 |
| RESULT | | | | | |
| Segment result | (1,988,043) | 17,877 | 553,447 | 3,460,560 | 2,043,841 |
| Unallocated other income, gains and losses | | | | | 7,945,577 |
| Unallocated corporate expenses | | | | | (9,658,928) |
| Impairment loss recognised in respect of amounts due from associates | | | | | (487,564) |
| Finance costs | | | | | (3,108,672) |
| Share of losses of associates | | | | | (9,031,178) |
| Share of loss of a jointly controlled entity | | | | | (4,540,269) |
| Loss before taxation | | | | | (16,837,193) |
| Taxation | | | | | – |
| Loss for the year | | | | | (16,837,193) |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

**2008**

**BALANCE SHEET**

| | Decoration contractor HK$ | Trading of furniture HK$ | Management services HK$ | Investment holding HK$ | Consolidated HK$ |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Segment assets | 1,665,093 | 96,173 | – | 2,857,300 | 4,618,566 |
| Interests in associates | | | | | 7,505,014 |
| Interest in a jointly controlled entity | | | | | 54,587,985 |
| Unallocated assets | | | | | 120,564,997 |
| Consolidated total assets | | | | | 187,276,562 |
| LIABILITIES | | | | | |
| Segment liabilities | 382,155 | 15,923 | 36,820 | 15,500 | 450,398 |
| Unallocated liabilities | | | | | 65,101,975 |
| Consolidated total liabilities | | | | | 65,552,373 |

**2008**

**OTHER INFORMATION**

| | Decoration contractor HK$ | Trading of furniture HK$ | Management services HK$ | Investment holding HK$ | Unallocated HK$ | Consolidated HK$ |
|---|---|---|---|---|---|---|
| Additions to property, plant and equipment | – | – | – | – | 9,890 | 9,890 |
| Allowance for bad and doubtful debts | 765,546 | 5,035 | – | – | – | 770,581 |
| Bad debts written off for other receivables | – | – | – | – | 16,478 | 16,478 |
| Depreciation on property, plant and equipment | 65,939 | 2,747 | – | – | 228,831 | 297,517 |
| Loss on disposal of property, plant and equipment | 2,976 | 123 | – | – | – | 3,099 |
| Reversal of allowance for inventories | – | (549,815) | – | – | – | (549,815) |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Business segments** (Continued)

**2007**

| | Decoration contractor *HK$* | Trading of furniture *HK$* | Management services *HK$* | Investment holding *HK$* | Consolidated *HK$* |
|---|---|---|---|---|---|
| REVENUE | 13,592,516 | 3,526,635 | 5,194,393 | 58,223 | 22,371,767 |
| RESULT | | | | | |
| Segment result | (203,804) | (249,214) | 709,838 | (680,993) | (424,173) |
| Unallocated other income, gains and losses | | | | | (5,673,325) |
| 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 losses of associates | | | | | (15,537,314) |
| 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 |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Business segments** (Continued)

**2007**

BALANCE SHEET

| | Decoration contractor *HK$* | Trading of furniture *HK$* | Management services *HK$* | Investment holding *HK$* | Consolidated *HK$* |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Segment assets | 4,188,737 | 1,086,751 | 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 | 2,619,187 | 679,537 | 22,000 | 15,500 | 3,336,224 |
| Unallocated liabilities | | | | | 64,001,467 |
| Consolidated total liabilities | | | | | 67,337,691 |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Business segments** (Continued)

**2007**

**OTHER INFORMATION**

| | Decoration contractor *HK$* | Trading of furniture *HK$* | Management services *HK$* | Investment holding *HK$* | Unallocated *HK$* | Consolidated *HK$* |
|---|---|---|---|---|---|---|
| Additions to property, plant and equipment | 2,562 | 665 | – | – | 7,340 | 10,567 |
| Allowance for bad and doubtful debts | 75,743 | 19,651 | – | – | – | 95,394 |
| Bad debts written off | 82,637 | 21,440 | – | – | – | 104,077 |
| Depreciation on property, plant and equipment | 58,785 | 15,251 | – | – | 242,030 | 316,066 |
| Reversal of allowance for inventories | – | (99,645) | – | – | – | (99,645) |

**Geographical segments**

The Group's operations are located in Hong Kong, The People's Republic of China (the "PRC") and other locations ("Others").

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

| | **2008** ***HK$*** | 2007 *HK$* |
|---|---|---|
| Hong Kong | **4,234,931** | 14,002,526 |
| The PRC | **2,012,315** | 6,643,531 |
| Others | – | 1,725,710 |
| | **6,247,246** | 22,371,767 |

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

**Geographical segments** (Continued)

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 | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$*** | HK$ | ***HK$*** | HK$ |
| Hong Kong | **3,526,486** | 9,120,416 | **9,890** | 10,567 |
| The PRC | **1,092,080** | 778,555 | **–** | – |
| | **4,618,566** | 9,898,971 | **9,890** | 10,567 |

## 9. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest on bank overdrafts | **225,088** | 189,682 |
| Imputed interest expense on amount due to a jointly controlled entity | **2,883,584** | – |
| | **3,108,672** | 189,682 |

## 10. (LOSS) PROFIT BEFORE TAXATION

| | 2008 | 2007 |
|---|---|---|
| | *HK$* | *HK$* |
| (Loss) profit before taxation has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **828,750** | 564,800 |
| Allowance for bad and doubtful debts | **770,581** | 95,394 |
| Bad debts written off for other receivables | **16,478** | 104,077 |
| Depreciation on property, plant and equipment | **297,517** | 316,066 |
| Change in fair value of non-current interest-free on other receivable | **51,744** | (82,452) |
| Change in fair value of non-current interest-free on amounts due to related companies | **(415,754)** | (750,642) |
| Interest earned on bank deposits | **(91,653)** | (182,696) |
| Imputed interest income on non-current interest-free amounts due from associates | **(6,689,115)** | – |
| Reversal of allowance for inventories (Note) | **(549,815)** | (99,645) |
| Loss on disposal of property, plant and equipment | **3,099** | – |
| Net exchange loss | **405,015** | 41,607 |
| Retirement benefits costs | **119,719** | 138,491 |
| Staff costs | **8,308,056** | 8,067,195 |
| Share of tax of a jointly controlled entity | **4,704,948** | 325,060 |

*Note:* Reversal of allowance for inventories was made when the sales of those inventories incurred during the year.

## 11. EMOLUMENTS OF DIRECTORS

During the years ended 31 March 2008 and 31 March 2007, no emoluments were paid to the directors.

## 12. EMOLUMENTS OF HIGHEST EMPLOYEES

Five highest paid employees

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Salaries and other emoluments | **2,956,135** | 3,614,054 |
| Retirement benefits costs | **32,000** | 36,000 |
| | **2,988,135** | 3,650,054 |

| | **2008** | 2007 |
|---|---|---|
| | **Number of employees** | |
| HK$1,000,000 or below | **5** | 4 |
| HK$1,000,001 – HK$1,500,000 | **–** | 1 |

## 13. TAXATION

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Hong Kong Profits Tax | **–** | 100,000 |

No provision for Hong Kong Profits Tax was made as the Group incurred tax loss for both years. The taxation credit in prior year represents the overprovision of Hong Kong Profits Tax in prior years.

**13. TAXATION** (Continued)

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

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| (Loss) profit before taxation | **(16,837,193)** | 7,832,541 |
| Taxation at Hong Kong Profits Tax rate of 17.5% | **(2,946,509)** | 1,370,695 |
| Tax effect of expenses not deductible for tax purpose | **1,911,686** | 2,422,133 |
| Tax effect of income not taxable for tax purpose | **(2,168,248)** | (1,533,859) |
| Tax effect of share of losses of associates | **1,580,456** | 2,719,030 |
| Tax effect of share of loss (profit) of a jointly controlled entity | **794,547** | (6,014,142) |
| Tax effect of tax loss not recognised | **860,747** | 1,073,310 |
| Overprovision of taxation in prior years | **–** | (100,000) |
| Others | **(32,679)** | (37,167) |
| Taxation credit for the year | **–** | (100,000) |

At 31 March 2008, the Group had estimated unused tax losses of approximately HK$198,151,000 (2007: HK$193,232,000) 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$2,735,000 (2007: HK$2,949,000). 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.

**14. (LOSS) EARNINGS PER SHARE**

The calculation of basic (loss) earnings per share attributable to equity holders of the Company is based on the consolidated (loss) profit for the year attributable to equity holders of the Company of HK$16,837,193 (2007: a profit of HK$7,932,541) and on 535,359,258 (2007: 535,359,258) ordinary shares in issue during the year.

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

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Machinery, equipment and motor vehicles | Furniture and fixtures | Art work | Leasehold improvements | Total |
|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| **COST** | | | | | |
| At 1 April 2006 | 5,192,493 | 1,599,215 | 11,000,000 | 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 | 1,600,186 | 11,000,000 | 8,374,061 | 26,149,388 |
| Exchange adjustment | 6,620 | 1,917 | – | – | 8,537 |
| Additions | 9,890 | – | – | – | 9,890 |
| Disposals | (87,014) | – | – | – | (87,014) |
| **At 31 March 2008** | **5,104,637** | **1,602,103** | **11,000,000** | **8,374,061** | **26,080,801** |
| **ACCUMULATED DEPRECIATION** | | | | | |
| At 1 April 2006 | 4,982,577 | 1,527,110 | 1,943,333 | 8,370,173 | 16,823,193 |
| Exchange adjustment | 893 | 764 | – | – | 1,657 |
| Charge for the year | 67,450 | 24,728 | 220,000 | 3,888 | 316,066 |
| Eliminated on disposals | (6,878) | – | – | – | (6,878) |
| At 31 March 2007 | 5,044,042 | 1,552,602 | 2,163,333 | 8,374,061 | 17,134,038 |
| Exchange adjustment | 2,955 | 1,852 | – | – | 4,807 |
| Charge for the year | 61,847 | 15,670 | 220,000 | – | 297,517 |
| Eliminated on disposals | (83,915) | – | – | – | (83,915) |
| **At 31 March 2008** | **5,024,929** | **1,570,124** | **2,383,333** | **8,374,061** | **17,352,447** |
| **CARRYING VALUES** | | | | | |
| **At 31 March 2008** | **79,708** | **31,979** | **8,616,667** | **–** | **8,728,354** |
| At 31 March 2007 | 131,099 | 47,584 | 8,836,667 | – | 9,015,350 |

## 15. 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 | 20% |
| Art work | 2% |
| Leasehold improvements | 20% or over the life of the lease, if shorter |

## 16. INTERESTS IN ASSOCIATES

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Cost of unlisted investments in associates | **89,549,045** | 89,549,045 |
| Share of post-acquisition losses | **(88,957,984)** | (79,926,806) |
| Share of exchange reserve | **6,913,953** | 5,753,253 |
| Share of net assets | **7,505,014** | 15,375,492 |

The following table lists only the particulars of the Group's associate at 31 March 2008 and 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 |

## 16. INTERESTS IN ASSOCIATES (Continued)

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

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Total assets | **437,873,418** | 424,536,230 |
| Total liabilities | **(421,848,171)** | (390,991,343) |
| Net assets | **16,025,247** | 33,544,887 |
| Group's share of net assets of associates | **7,505,014** | 15,375,492 |
| Revenue | **86,588,049** | 89,568,119 |
| Loss for the year | **(20,098,973)** | (34,552,940) |
| Group's shares of losses of associates for the year | **(9,031,178)** | (15,537,314) |

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 management accounts of associates, both for the year and cumulatively, are as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Unrecognised share of losses of associates for the year | **(14,852)** | (12,788) |
| Accumulated unrecognised share of losses of associates | **(65,357)** | (50,505) |

## 17. DEPOSITS PAID FOR INVESTMENT IN AN ASSOCIATE

During the year ended 31 March 2008, the Group and other shareholders of NJ Dingshan anticipated to capitalise the interest-free loan to NJ Dingshan as additional registered capital to NJ Dingshan. The process to capitalise this interest-free loan as additional capital to NJ Dingshan is in progress and the directors expect that the capitalisation would be completed in 2009. Accordingly, the carrying amount of interest-free loan to the associate of HK$106,764,554 is reclassified from amount due from an associate to deposit paid for investment in an associate.

## 18. AMOUNTS DUE FROM ASSOCIATES

| | 2008 | 2007 |
|---|---|---|
| | *HK$* | *HK$* |
| Current *(Note 1)* | – | 13,500,000 |
| Non-current *(Note 2)* | – | 86,311,168 |
| | – | 99,811,168 |

*Notes:*

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

(2) At 31 March 2007, the amount represented an interest-free balance with a face value of HK$93,000,284. 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 was expected to be repayable one year after the balance sheet date. Accordingly, the balance was reclassified from current to non-current. 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 the consolidated income statement. The amount was reclassified as deposits paid for investment in an associate at 31 March 2008 (see note 17).

## 19. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | 2008 | 2007 |
|---|---|---|
| | *HK$* | *HK$* |
| Cost of unlisted investment in a jointly controlled entity | **1,465,479** | 1,465,479 |
| Deemed distribution to a jointly controlled entity | **(4,236,713)** | (2,883,584) |
| Share of post-acquisition profits | **40,536,749** | 45,077,018 |
| Share of exchange reserve | **11,172,076** | 5,985,286 |
| Share of property revaluation reserve | **5,650,394** | 5,650,394 |
| | **54,587,985** | 55,294,593 |

As at 31 March 2008 and 2007, the jointly controlled entity confirmed to the Group that the balance would not be repayable one year after the balance sheet date. The interest-free non-current amount due to a jointly controlled entity is adjusted to its fair value on initial recognition. The fair value adjustments on initial recognition of HK$2,883,584 (2007: HK$1,353,129) is recognised as a deemed contribution to the interest a jointly controlled entity.

## 19. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

As at 31 March 2008 and 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 |

*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 in which the development was completed during the year ended 31 March 2007;

(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.

## 19. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

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

| | 2008 HK$ | 2007 HK$ |
|---|---|---|
| Current assets | **66,169,405** | 84,527,073 |
| Non-current assets | **1,286,012** | 5,317,451 |
| Current liabilities | **6,535,609** | 31,666,347 |
| Non-current liabilities | **2,095,110** | – |
| Income (Note) | **3,077,573** | 92,430,821 |
| Expenses | **7,617,842** | 58,064,297 |

*Note:* The increase of the Group's share of profit of the jointly controlled entity for the year ended 31 March 2007 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.

## 20. AVAILABLE-FOR-SALE INVESTMENTS

| | 2008 HK$ | 2007 HK$ |
|---|---|---|
| Unlisted equity securities | **4,349,000** | 4,349,000 |
| Less: Impairment loss | **(2,112,700)** | – |
| | **2,236,300** | 4,349,000 |

At 31 March 2007, the available-for-sale investments were stated at cost and represented investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They were measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values could not be measured reliably.

**20. AVAILABLE-FOR-SALE INVESTMENTS** (Continued)

During the year, the available-for-sale investments disposed of all its trading operations. At 31 March 2008, the underlying assets remained in those unlisted entities which are classified as available-for-sale investments was only investments in equity securities listed in Hong Kong. Therefore, a reliable measure becomes available for these available-for-sale investments. Accordingly, the available-for-sale investments were remeasured at fair value at 31 March 2008. The directors of the Company consider the prolonged decline in fair value below its cost as an objective evidence of impairment of the investment. Accordingly, an impairment loss of HK$2,112,700 is recognised in the consolidated income statement for the year ended 31 March 2008.

**21. 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. The interest-free non-current other receivable is adjusted to its fair value on initial recognition. The fair value adjustment was recognised in the consolidated income statement. At 31 March 2008, the amortised cost of the other receivable was HK$1,104,677 (2007: HK$1,156,421) using effective interest method at an effective interest rate of 6.00% per annum.

**22. INVENTORIES**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| General merchandise, at net realisable value | **–** | 126,504 |

The cost of inventories recognised as an expense during the year was HK$1,924,228 (2007: HK$3,679,720).

**23. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Accounts receivable | **2,522,769** | 4,356,215 |
| Less: Allowance for doubtful debts | **(865,975)** | (95,394) |
| | **1,656,794** | 4,260,821 |
| Other current receivables and prepayments | **322,118** | 911,379 |
| Total accounts receivable and prepayments | **1,978,912** | 5,172,200 |

**23. ACCOUNTS RECEIVABLE AND PREPAYMENTS** (Continued)

The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Aged: | | |
| 0 to 60 days | **1,467,768** | 3,062,920 |
| 61 to 90 days | **–** | 21,304 |
| More than 90 days | **189,026** | 1,176,597 |
| | **1,656,794** | 4,260,821 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a continuous basis.

Included in the Group's accounts receivable balance are debtors with aggregate carrying amount of HK$189,026 (2007: HK$1,176,597) which are past due for which the Group has not provided for impairment loss as there has not been significant change in credit quality and the Group believes the amounts are still recoverable.

*Ageing of accounts receivable which are past due but not impaired*

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Aged: | | |
| 90 – 180 days | **–** | 1,176,597 |
| Over 180 days | **189,026** | – |
| | **189,026** | 1,176,597 |

The Group has policy of allowance for bad and doubtful debts which is based on the evaluation of collectibility and on management's judgement including credit worthiness and past collection history of each client.

## 23. ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

*Movement in the allowance for doubtful debts*

| | 2008 | 2007 |
|---|---|---|
| | HK$ | HK$ |
| Balance at beginning of the year | 95,394 | – |
| Charges for the year | 770,581 | 95,394 |
| Balance at end of the year | 865,975 | 95,394 |

In determining the recoverability of accounts receivable, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

## 24. INVESTMENTS HELD FOR TRADING

| | 2008 | 2007 |
|---|---|---|
| | HK$ | HK$ |
| Equity securities listed in Hong Kong and stated at fair value | 621,000 | 270,000 |

## 25. BANK BALANCES AND CASH

Bank balances have an original maturity of less than three months and carry an average market rate of 0.6% (2007: 3.3%) per annum.

## 26. ACCOUNTS AND OTHER PAYABLES AND ACCRUED CHARGES

Accounts and other payables and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of accounts payable is as follows:

| | 2008 | 2007 |
|---|---|---|
| | HK$ | HK$ |
| Aged: | | |
| 0 to 60 days | 240,674 | 2,932,914 |
| 60 to 90 days | 2,730 | – |
| More than 90 days | – | 181,359 |
| Total accounts payable | 243,404 | 3,114,273 |
| Other payables and accrued charges | 2,341,832 | 520,202 |
| | 2,585,236 | 3,634,475 |

## 27. OTHER CURRENT FINANCIAL LIABILITIES

Advance from an investee company and dividend payable are unsecured, interest-free and are repayable on demand. During the year ended 31 March 2008, due to the deregistration of the investee company, the Group did not have legal obligation to repay the advance from an investee company. Accordingly, gain due to the deregistration of an investee company of HK$3,460,560 is recognised.

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 7.75% (2007: 8.00%) per annum.

## 28. AMOUNTS DUE FROM AND TO CUSTOMERS FOR CONTRACT WORK

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Cost incurred to date plus estimated attributable profits less foreseeable losses | **423,353** | 71,702 |
| Less: Progress payments received and receivable | **(421,410)** | (169,570) |
| | **1,943** | (97,868) |
| Represented by: | | |
| Due from (to) customers for contract work included in current assets/liabilities | **1,943** | (97,868) |

## 29. AMOUNTS DUE TO RELATED COMPANIES

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current *(note 2)* | **9,962,060** | 8,500,747 |
| Non-current *(note 3)* | **22,234,061** | 9,685,708 |
| | **32,196,121** | 18,186,455 |

*Notes:*

(1) The related companies are companies controlled or significantly influenced by the management of the Group.

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

(3) The amounts represent an interest-free balance with a face value of HK$23,400,457 (2007: HK$10,436,350). As at 31 March 2008, the related companies confirmed to the Group that the balances would not be repayable one year after the balance sheet date. Accordingly, the balances are classified as non-current. The interest-free non-current amounts due to related companies are adjusted to its fair value. The fair value adjustments on initial recognition of HK$415,754 (2007: HK$750,642) is recognised in the consolidated income statement. At 31 March 2008, the fair value of the amounts was valued at HK$22,234,061 (2007: HK$9,685,708) on an effective interest method with an effective interest rate of 5.25% (2007: 7.75%).

## 30. SHARE CAPITAL

| | Number of shares | HK$ |
|---|---|---|
| Ordinary shares of HK$0.10 each | | |
| *Authorised:* | | |
| At 1 April 2006, 31 March 2007 and 31 March 2008 | **8,500,000,000** | 850,000,000 |
| *Issued and fully paid:* | | |
| At 1 April 2006, 31 March 2007 and 31 March 2008 | **535,359,258** | 53,535,926 |

There was no movement in the Company's share capital for both years.

## 31. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

Amount represents an interest-free loan granted with a face value of HK$27,127,012 (2007: HK$40,091,118). As at 31 March 2008, 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 classified as non-current. At 31 March 2008, the fair value of the amount was HK$25,773,883 (2007: HK$37,207,534) using effective interest method at an effective interest rate of 5.25% (2007: 7.75%) per annum. The deemed distribution of HK$1,353,129 (2007: HK$2,883,584) was included in interest in a jointly controlled entity.

## 32. DISPOSAL OF A SUBSIDIARY

On 12 March 2007, the Group disposed of a subsidiary, China Garden Limited, which 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 – amounts due to minority shareholders | (1,997,726) |
| Gain on disposal | 1,997,726 |
| Total consideration | – |

The subsidiary disposed of in prior year did not have any material effect on the Group's turnover, profit before taxation and cash flow.

## 33. 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$119,719 (2007: HK$136,473).

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$8,166 (2007: contributions of HK$2,018).

## 34. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related companies as disclosed in the balance sheet set out in pages 23 and 24 and notes 18, 29 and 31 respectively during the year, the Group entered into the following transactions with an associate and related companies:

| | **An associate** | | **Related companies** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Management fee income received from | **3,322,157** | 5,194,393 | **–** | – |
| Building management fee paid to | **–** | – | **125,256** | 120,204 |
| Management fee paid to | **–** | – | **–** | 557,704 |
| General expenses paid to | **–** | – | **505,544** | 408,647 |

A related company, which the management of the Group has significant influence, provided certain area for the Group to use as the Group's office premises for free.

**34. RELATED PARTY TRANSACTIONS** (Continued)

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:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Salaries and other short-term employee benefits | **996,000** | 1,069,500 |
| Retirement benefits costs | **–** | 12,000 |
| | **996,000** | 1,081,500 |

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

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2008 and 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 | Country/ 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 |
| 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 2008.

# Five Years Financial Summary

FOR THE YEAR ENDED 31 MARCH 2008

| | 2004 | 2005 | 2006 | 2007 | **2008** |
|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* | ***HK$*** |
| CONSOLIDATED RESULTS | | | | | |
| Revenue | 57,237,652 | 9,491,207 | 18,220,724 | 22,371,767 | **6,247,246** |
| (Loss) profit for the year attributable to equity holders of the Company | (21,015,059) | (21,642,239) | (22,647,558) | 7,932,541 | **(16,837,193)** |
| Basic earnings (loss) per share | (3.93 cents) | (4.04 cents) | (4.23 cents) | 1.48 cents | **(3.15 cents)** |
| CONSOLIDATED ASSETS AND LIABILITIES | | | | | |
| Total assets | 232,528,920 | 181,878,861 | 150,456,377 | 198,889,667 | **187,276,562** |
| Total liabilities | (60,118,211) | (46,532,281) | (40,782,939) | (67,337,691) | **(65,552,373)** |
| | 172,410,709 | 135,346,580 | 109,673,438 | 131,551,976 | **121,724,189** |
| Equity attributable to equity holders of the Company | 159,760,602 | 133,678,479 | 109,673,438 | 131,551,976 | **121,724,189** |
| Minority interests | 12,650,107 | 1,668,101 | – | – | **–** |
| | 172,410,709 | 135,346,580 | 109,673,438 | 131,551,976 | **121,724,189** |

僑福建設企業機構

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