



THE
HONG KONG PARKVIEW
GROUP LTD.

僑福建設企業機構*

INTERIM REPORT 2010-2011 二零一零年至二零一一年度中期報告

Stock Code 股份代號: 207

THE HONG KONG PARKVIEW GROUP LTD.

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INTERIM RESULTS

The board of Directors of The Hong Kong Parkview Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010. The unaudited condensed consolidated interim results for the six months ended 30 September 2010 have not been audited by the Company's auditors, but were reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September (Unaudited)	
		2010	2009
	Notes	HK\$	HK\$
Revenue	2	917,496	917,496
Cost of sales		(754,709)	(760,296)
Gross profit		162,787	157,200
Other income, gains and losses		2,193,125	1,106,481
Net change in fair value of investments held for trading		(45,000)	69,000
Recovery from a fully impaired investment		4,896,892	-
Administrative expenses		(6,165,228)	(3,113,357)
Finance costs		(656,890)	(102,425)
Loss on liquidation of subsidiaries		-	(11,591)
Impairment loss recognized in respect of amounts due from associates		(16,979,769)	-
Share of loss of an associate		(4,524,848)	(7,335,656)
Gain on deregistration of a jointly controlled entity		1,028,950	-
Share of profit of a jointly controlled entity		-	1,046,467
Loss before taxation	3	(20,089,981)	(8,183,881)
Taxation	5	-	-
Loss for the period		(20,089,981)	(8,183,881)
Other comprehensive (expense) income			
Exchange difference arising on translation of foreign operation		(256,349)	3,848
Total comprehensive expense for the period attributable to the owners of the Company		(20,346,330)	(8,180,033)
Loss per share – Basic	7	(3.80 cents)	(1.53 cents)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010 (Unaudited)	31 March 2010 (Audited) (Restated)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,066,667	8,176,667
Interests in associates	10	-	-
Amount due from an associate	10	76,072,500	75,395,875
Interest in a jointly controlled entity	9	-	55,988,074
Available-for-sale investments		2,236,300	2,236,300
		86,375,467	141,796,916
CURRENT ASSETS			
Properties held for sale		31,951,511	31,401,676
Amount due from related companies		22,805	22,805
Accounts and other receivables and prepayments	11	942,763	827,050
Investments held for trading		480,000	525,000
Bank balances and cash		7,119,415	6,361,727
		40,516,494	39,138,258
CURRENT LIABILITIES			
Accounts and other payables and accrued charges	12	3,705,699	2,102,721
Amount due to a jointly controlled entity		-	51,186,307
Amounts due to related companies		48,288,488	32,522,882
Tax payable		68,522	57,226
Bank overdrafts		3,689,607	3,580,063
		55,752,316	89,449,199
NET CURRENT LIABILITIES		(15,235,822)	(50,310,941)
TOTAL ASSETS LESS CURRENT LIABILITIES		71,139,645	91,485,975
CAPITAL AND RESERVES			
Share capital	14	53,535,926	53,535,926
Reserves		(4,682,431)	15,663,899
Total equity		48,853,495	69,199,825
NON-CURRENT LIABILITIES			
Amount due to related companies		22,286,150	22,286,150
		71,139,645	91,485,975

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 (Unaudited)

	Share capital <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Capital reduction reserve <i>HK\$</i>	Property revaluation surplus <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Accumulated deficit <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2010	53,535,926	2,382,000	85,844,959	-	329,928,202	10,208,590	(412,699,852)	69,199,825
Exchange difference arising on translation of foreign operation	-	-	-	-	-	(256,349)	-	(256,349)
Net loss for the period	-	-	-	-	-	-	(20,089,981)	(20,089,981)
Total comprehensive expense for the period	-	-	-	-	-	(256,349)	(20,089,981)	(20,346,330)
Reclassification of exchange reserve on a liquidated jointly controlled entity	-	-	-	-	-	(11,287,650)	11,287,650	-
At 30 September 2010	<u>53,535,926</u>	<u>2,382,000</u>	<u>85,844,959</u>	<u>-</u>	<u>329,928,202</u>	<u>(1,335,409)</u>	<u>(421,502,183)</u>	<u>48,853,495</u>
At 1 April 2009	53,535,926	2,382,000	85,844,959	5,650,394	329,928,202	12,517,417	(405,628,915)	84,229,983
Exchange difference arising on translation of foreign operation	-	-	-	-	-	3,848	-	3,848
Net loss for the period	-	-	-	-	-	-	(8,183,881)	(8,183,881)
Total comprehensive expense for the period	-	-	-	-	-	3,848	(8,183,881)	(8,180,033)
At 30 September 2009	<u>53,535,926</u>	<u>2,382,000</u>	<u>85,844,959</u>	<u>5,650,394</u>	<u>329,928,202</u>	<u>12,521,265</u>	<u>(413,812,796)</u>	<u>76,049,950</u>

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Interim Report 2010-2011**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six months ended	
	30 September	
	(Unaudited)	
	2010	2009
	HK\$	HK\$
NET CASH GENERATED FROM (USED IN)		
OPERATING ACTIVITIES	874,152	(1,850,373)
INVESTING ACTIVITIES		
Interest received on bank deposits	5,673	970
Advances to an associate	(21,733,266)	(903,286)
Proceed from deregistration of a jointly controlled entity	5,830,717	-
Purchases of property, plant and equipment	-	(585,249)
NET CASH USED IN INVESTING ACTIVITIES	(15,896,876)	(1,487,565)
FINANCING ACTIVITIES		
Advances from a jointly controlled entity	-	1,620,995
Advances from related companies	15,765,606	1,559,476
Interest paid	(104,736)	(102,425)
Increase (Decrease) in bank overdrafts	109,544	(485,597)
NET CASH FROM FINANCING ACTIVITIES	15,770,414	2,592,449
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	747,690	(745,489)
CASH AND CASH EQUIVALENTS AT 1 APRIL	6,361,727	3,066,146
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	9,998	3,816
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER, Represented by bank balances and cash	7,119,415	2,324,473

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

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

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2010, except for the adoption of the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective on or after 1 April 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for amendment to HKFRS 5
HKAS 1 (Revised)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK (IFRIC)-INT 17	Distributions of non-cash assets to owners

Except as described below, the directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised) Presentation of financial statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, HKAS 1 (Revised) requires the presentation of a third consolidated statement of financial position as at 1 April 2009 when the Group reclassifies items in its consolidated financial statements (see below).

A third consolidated statement of financial position as at 1 April 2009 is not presented since the properties were distributed during the year ended 31 March 2010. The reclassification does not affect the consolidated statement of financial position as at 1 April 2009.

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1. Basis of preparation and significant accounting policies *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 1 (Amendment)	Limited exemption for comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 9	Financial instruments ⁴
HK(IFRIC) – INT 14 (Amendment)	Prepayments to a minimum funding requirements ³
HK (IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for accounting periods beginning on or after 1 July 2010.

³ Effective for accounting periods beginning on or after 1 January 2011.

⁴ Effective for accounting periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective to the Group from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the results and the financial position of the Group.

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2. Segment information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009, HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

The Group’s revenue was mainly derived from providing management services. The CODM, being the Chairman of the Group, review the consolidated statement of comprehensive income of the Group as a whole and focus the review on the Group’s profit for the period, share of results of associates for purposes of resource allocation and performance assessment. Further, the CODM does not review segment assets and liabilities. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Revenue, which is also turnover of the Group, presents the amounts received and receivable for income from management fee income by the Group during the period as follows:

	Six months ended	
	30 September	
	(Unaudited)	
	2010	2009
	HK\$	HK\$
Management fee income	917,496	917,496

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2. Segment information (Continued)

Geographical information

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

The Group's revenue from external customer, representing revenue arising from rendering management services to the customer in the PRC, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Six months ended 30 September (Unaudited)	
	2010	2009
	HK\$	HK\$
The PRC	917,496	917,496
	<hr/>	<hr/>
	Non-current assets	
	30 September 2010 (Unaudited)	31 March 2010 (Audited) (Restated)
	HK\$	HK\$
Hong Kong	8,066,667	8,176,667
The PRC	-	55,988,074
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	8,066,667	64,164,741
	<hr/>	<hr/>

Information about major customer

Revenues from customer of the corresponding years contribution over 10% of the total sales of the Group are as follows:

	Six months ended 30 September (Unaudited)	
	2010	2009
	HK\$	HK\$
Nanjing Dingshan Garden Hotel Co., Ltd.	917,496	917,496
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3. Loss before taxation

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 September (Unaudited)	
	2010 HK\$	2009 HK\$
Auditor's remuneration	250,000	365,000
Recovery from a bad debts written off	-	(645,500)
Imputed interest income on non-current interest-free other receivable	-	(329,043)
Fair value adjustment of non-current interest-free amounts due to related companies	(557,154)	-
Interest income	(652,690)	(970)
Net exchange gain (loss)	(656,136)	4,630
Rental income on properties held for sales	(983,281)	-
Staff Costs (included in cost of sales and administrative expenses)		
– Salaries and other benefits	2,423,445	2,528,586
– Retirement benefits scheme contributions	38,600	38,744

4. Depreciation/Amortization

During the period, depreciation of HK\$0.11 million (2009: HK\$0.15 million) was charged in respect of the Group's property, plant and equipment.

5. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the group has no assessable profits for the period. Overseas taxes, if any, have been calculated at the rate of taxation prevailing in the respective jurisdictions in which the Group operates.

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

6. Dividends

The Directors do not propose any interim dividend for the period (2009: Nil).

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7. Loss per share – basic

The calculation of loss per share – basic is based on the consolidated loss attributable to Owners of the Company for the six months of HK\$20,089,981 (2009: loss of HK\$8,183,881) and on 535,359,258 (2009: 535,359,258) ordinary shares in issue during the period.

8. Reserves

During the six months period ended 30 September 2010, a jointly controlled entity was liquidated. Exchange reserve for this jointly controlled entity amounting to HK\$11,287,650 (2009: Nil) was transferred directly to accumulated deficit.

9. Interest in a jointly controlled entity

Pursuant to the directors' and owners' meetings on 24 December 2008, the directors and owners of Shanghai Qiao-Yi Real Estate Co., Ltd. ("Qiao-Yi") agreed to undergo winding up of Qiao-Yi. During the year ended 31 March 2010, some properties in Qiao-Yi were distributed to the Group. The value of the interest in a jointly controlled entity and properties held for sales at 31 March 2010 have been restated due to the adjustment of the land appreciation tax in the People's Republic of China on the value of properties transferred from Qiao-Yi. Qiao-Yi was dissolved during the six months ended 30 September 2010 with the remaining assets distributed to its shareholders.

10. Interest in associates

	30 September 2010 (Unaudited) HK\$	31 March 2010 (Audited) HK\$
Cost of unlisted investment in associates	89,549,045	89,549,045
Share of post-acquisition losses	(96,668,122)	(96,668,122)
Share of exchange reserves	7,119,077	7,119,077
	–	–
Amount due from an associate	143,766,897	121,369,130
Less: Loss allocated in excess of cost of investment in an associate	(24,420,870)	(19,896,022)
Less: Exchange realignment	(293,758)	(77,233)
Less: Impairment loss recognized in respect of amount due from an associate	(42,979,769)	(26,000,000)
	76,072,500	75,395,875

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10. Interest in associates *(Continued)*

The following table lists only the particulars of the Group's associate at 30 September 2010 and 31 March 2010 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

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

	30 September 2010 (Unaudited) HK\$	31 March 2010 (Audited) HK\$
Total assets	392,476,806	389,499,342
Total liabilities	(457,474,727)	(434,593,334)
Net liabilities	(64,997,921)	(45,093,992)
Group's share of net assets of associates	-	-

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Interim Report 2010-2011**11. Accounts and other receivables and prepayments**

	30 September 2010 (Unaudited) HK\$	31 March 2010 (Audited) HK\$
Accounts receivables	148,524	131,306
Less: Allowance for doubtful debts	(148,524)	(131,306)
	<hr/>	<hr/>
Other current receivables and prepayments	942,763	827,050
	<hr/>	<hr/>
Total accounts and other receivables and prepayments	942,763	827,050
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The Group allows an average credit period of 90 days to trade debtors.

12. Accounts and other payables and accrued charges

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

The aged analysis of accounts payable is as follows:

	30 September 2010 (Unaudited) HK\$	31 March 2010 (Audited) HK\$
Total accounts payable aged more than 365 days	2,730	2,730
Other payables and accrued charges	3,702,969	2,099,991
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	3,705,699	2,102,721
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13. Related party transactions

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

	Notes	Associates		Related companies (iii)	
		Six months ended		Six months ended	
		30 September		30 September	
		2010	2009	2010	2009
		HK\$	HK\$	HK\$	HK\$
Management fee income received from	<i>i</i>	917,496	917,496	-	-
Building management fee paid to	<i>i</i>	-	-	66,390	66,390
General expenses paid to	<i>i</i>	-	-	225,987	235,897

(b) Outstanding balance with related parties

	Notes	Associates		Jointly controlled entity		Related companies (iii)	
		30 September	31 March	30 September	31 March	30 September	31 March
		2010	2010	2010	2010	2010	2010
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Amount due from	<i>ii</i>	76,072,500	75,395,875	-	-	22,805	22,805
Amount due to	<i>ii</i>	-	-	-	51,186,307	70,574,638	54,809,032

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13. Related party transactions (Continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2010 (Unaudited) HK\$	2009 (Audited) HK\$
Salaries and other short term employee benefits	<u>498,000</u>	<u>498,000</u>

Notes:

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

14. Share capital

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$
Authorised:	<u>8,500,000,000</u>	<u>850,000,000</u>
Issued and fully paid: At 1 April 2010 and 30 September 2010	<u>535,359,258</u>	<u>53,535,926</u>

15. Contingent liabilities

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

16. Charges on assets

The Group did not have any charge on its assets as at 30 September 2010 (2009: Nil).

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OPERATING RESULTS

The Group's turnover for the six months ended 30 September 2010 amounted to HK\$917,496. Total comprehensive expense attributed to Owners of the Company for the period totaled HK\$20,346,330.

BUSINESS REVIEW & OUTLOOK

During the reported six-month period, the Group mainly focused on consolidating its investments. Following the completion and sales of the second phase of the property development project in Shanghai in the last financial year, the Group's jointly controlled company, Shanghai Qiao-Yi Real Estate Co., Ltd., had fulfilled its mission and subsequently been smoothly liquidated with the remaining unsold properties distributed to its shareholders. The distributed properties comprising entirely commercial spaces are partly under tenancy and partly vacant. The details of the liquidation of this company were publicly announced on 6 September 2010 and further clarified by a clarification announcement made on 8 November 2010.

Thereafter, apart from the aforesaid distributed properties, the Group has no substantial assets nor operations other than a 45% non-controlling stake in Nanjing Dingshan Garden Hotel Company Ltd., a company which holds a loss making Nanjing hotel operation. The Company continued to report a loss for the reported period due to low occupancy level in the hotel operation resulting in unsatisfactory revenue. Consequently, the hotel's valuation has dropped and accordingly the Group had to set aside provision for the impairment in value of this investment.

The increase in the administrative expenses during the period is mainly due to the legal and professional fees incurred in the proposed restructuring transactions announced on 20 September 2010.

During the period, the Group accounted for a gain of HK\$1,028,950 from the deregistration of a jointly controlled entity. This gain was the result of the appreciated value after accounting for potential applicable PRC taxes of the remaining unsold properties which were distributed to the Group by the liquidated Shanghai Qiao-Yi Real Estate Co., Ltd. as described above. The liquidation of the company was formally approved by the Shanghai Administration of Industry and Commerce on 30 August 2010. As disclosed in the Company's last annual report, all the residential units and the majority of shops developed by the company were sold, mostly at a profit, in previous years. In light of the situation that the company's remaining assets have not brought much contribution and are not expected to do in the future and there would be no further development projects to be undertaken by the company, the Group and its China partner agreed and decided to liquidate the company.

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BUSINESS REVIEW & OUTLOOK *(Continued)*

During the period, the Group has received further cash dividend of HK\$4.9 million from a fully impaired investment which was recorded as income for the current financial period.

The Group's investment in Nanjing Dingshan Garden Hotel has been the main cause for the persistent losses incurred by the Group as a whole for the past 3 years. In view of that and with a view to bringing the Group's financial position to a healthy state, the Group is proposing a very substantial disposal transaction and a very substantial acquisition transaction with its controlling shareholders whereby the Group will dispose of its existing underperforming assets and acquire a commercial property in Hong Kong which can generate a steady income stream to the Group. Details of these transactions have been publicly announced and set out in the Group's announcement dated 20 September 2010. The management believes that the proposed transactions when completed, which are still subject to the shareholders' approval, will strengthen the Group's financial position on the basis that the Group's major investment will be capable of generating steady income of reasonable return to the Group immediately. At the same time, this investment offers potential for capital appreciation.

Property & Hospitality Division

Nanjing Dingshan Garden Hotel, Nanjing, China

Only partially completed and not operating at full capacity, the 5-star hotel – Nanjing Dingshan Garden Hotel, continued to operate at a loss for the period. At the same time, the hotel industry outlook in Nanjing was still clouded with negative factors such as over-supply of hotel rooms, shrinking long-staying tourists, less overnight staying business travellers due to the highly developed highway network etc. As a result, the valuation of the hotel, the major asset of the Company, continued to shrink, resulting in further impairment provision in the Group's investment.

Shanghai Garden City, Shanghai, China

As all the residential units and the majority of the commercial properties were successfully sold in previous years, this segment did not bring much contribution to the Group. Nevertheless, before liquidated, the company still managed to generate a positive result for the current financial period, from rental income.

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FINANCIAL POSITION

The financial position of the Group remained healthy as bank and cash balances exceeded total bank borrowings. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 2.91% (31 March 2010: 1.98%).

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

As at 30 September 2010, the Group had HK\$15.23 million net current liabilities (31 March 2010: HK\$50.31 million net current liabilities).

EMPLOYEES

As at 30 September 2010, the total number of employees in the Group was approximately 11.

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.

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

As at 30 September 2010, the interests of the directors and the chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
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%
Mr. Lam Kin Ming, Lawrence	Beneficial owner	6,000	0.001%

Notes:

- 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".
- 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".

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

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 30 September 2010.

At no time during the six months ended 30 September 2010 was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company 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 30 September 2010, 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 relevant interests in the issued shares 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 <i>(Note)</i>	54.9%
High Return Trading Limited	Beneficial owner	98,000,000 <i>(Note)</i>	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 30 September 2010.

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 unaudited interim results for the six months ended 30 September 2010.

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

During the six months ended 30 September 2010, 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 six months ended 30 September 2010.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

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 six months ended 30 September 2010.

On behalf of the Board
Wong Kin Wah, George
Chairman

Hong Kong, 8 November 2010

As at the date of this report, the Board comprises Mr. Wong Kin Wah, George, Mr. Hwang Yiu Hua, Victor, Mr. Hwang Yiu Hua, Richard and Mr. Hwang Teh Hua, Tony as Executive Directors and Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., Mr. Lam Kin Ming, Lawrence and Mr. Wu Kwok Cheung, MH as Independent Non-executive Directors.

