

ANNUAL REPORT 1996 - 1997

一九九六至九七年度年報

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of the Company will be held at The Club House, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong on Friday, 12th September 1997 at 10:00 a.m. for the following purposes:-

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31st March 1997.
2. To declare a final dividend for the year ended 31st March 1997.
3. To elect Directors and fix their remuneration.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. As special business to consider and if thought fit, to pass with or without amendments the following resolutions as Ordinary Resolutions:-

(A) "THAT:

- (a) subject to sub-paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in sub-paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any warrants to be issued by the Company or any securities which are convertible into shares of the Company or (iii) an issue of shares under the share option scheme of the Company shall not exceed the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution and this approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(Continued)

- (d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution in General Meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangement as the Directors may deem necessary or expedient in relation to fractional allocation or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

- (B) "THAT:

- (a) subject to sub-paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of the Company on The Stock Exchange of Hong Kong Limited, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

(Continued)

- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
 - (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution in General Meeting."
- (C) "THAT the general mandate granted to the Directors to issue and dispose of additional ordinary shares pursuant to resolution numbered 5(A) set out above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered 5(B) set out above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution."

By Order of the Board
Eric Charrington
Company Secretary

Hong Kong, 22nd July 1997

Notes:

- (i) A Member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote on his behalf and such proxy need not be a Member of the Company. The form of proxy must be deposited at the Principal Office of the Company in Hong Kong at 88 Tai Tam Reservoir Road, Hong Kong not later than 48 hours before the time appointed for holding the meeting.
- (ii) The Register of Members of the Company will be closed from 5th September 1997 to 12th September 1997, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Progressive Registration Limited at 2307 Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on 4th September 1997.
- (iii) An explanatory statement containing further details regarding resolution no. 5(B) will be sent to shareholders together with the 1997 Annual Report.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the 1996/97 Annual Report to the Shareholders.

RESULTS

The Group's audited consolidated result for the financial year ended 31st March 1997 was a profit of HK\$154,257,003 compared to a loss of HK\$48,216,335 for the previous year.

FINAL DIVIDEND

The Directors recommend a final dividend of 10 cents per share for the year ended 31st March 1997 (1996: Nil). This together with an interim dividend of 3 cents paid on 7th January 1997 (1996: Nil) will bring a total dividend of 13 cents per share for the year ended 31st March 1997.

REVIEW OF OPERATIONS AND PROSPECTS

The Group's turnover for the financial year ended 31st March 1997 amounted to HK\$797,867,882, as compared to HK\$556,168,938 in the previous year, representing an increase of 43%, primarily due to the higher income from property sales during the period. Profit attributable to shareholders for the period totalled HK\$154,257,003, which is mainly attributable to higher income from property sales and ferry operations.

During the year, the Group's main focus was to implement the programmed developments, most of which have or will come on stream as scheduled. The property development project in Tai Po is scheduled for completion in the last quarter of 1997. The completed phrases of the Nanjing development comprising a 4-star hotel and a service apartment tower are performing well with strong rental rates and high occupancy rates. The Shanghai Phase 1 property development was recently completed and sales of the units are progressing satisfactorily. Investment properties in Hong Kong and overseas continued to generate satisfactory and steady recurring income. Coupled with the optimistic outlook of the Hong Kong property market, the Directors are confident that the Group's property division will continue to give satisfactory return for the coming years.

With 7 Tri-Cats now in full service, the Group's high speed ferry operation has significantly enhanced its competitiveness in the Hong Kong/Macau route. This has resulted in increased passenger volume and market share. As part of the regional development and expansion strategy, a new route has been added to Guangzhou in the Pearl River Estuary in January 1997. Meanwhile, the ferry operation in the Philippines has continued to expand at a fast pace and now with 7 high speed catamarans in operation, is achieving high load factors in its routes with encouraging growth. Therefore, the outlook of the ferry operations is optimistic.

CHAIRMAN'S STATEMENT

(Continued)

The Group has taken up the management of the Serviced Apartments and the Clubhouse of the Hong Kong Parkview complex in June 1996. This has generated satisfactory result for the Group's hospitality business and at the same time provided the Group with a solid base for expansion in this field. Meanwhile the Group's hotel management contracts in China continue to produce satisfactory fee income.

In conclusion, I am confident that the Group has built up a solid and healthy portfolio of investments under sound management to sustain continuous growth in its business operations and satisfactory returns on its investments in the coming years.

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, 22nd July 1997

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The Group's turnover for the financial year ended 31st March 1997 amounted to HK\$797,867,882 as compared to HK\$556,168,938 in the previous year, primarily due to higher level of sales income from property sales during the year. Profit attributable to the shareholders for the year totalled HK\$154,257,003, which is mainly attributable to higher income from property sales and transportation.

PROPERTY AND HOSPITALITY DIVISION

1. Hong Kong Parkview

The Group's investment properties at Hong Kong Parkview registered healthy rental increases during the financial year, achieving higher than average occupancy rates. A number of units in Tower 12 were sold during the period at satisfactory prices realising substantial capital gains.

2. Tycoon Place, Tai Po, Hong Kong

The Group holds a 33.3% interest in this development in joint venture with the Lai Sun Group and China Travel Service Group. Completion of the development is scheduled for the last quarter of 1997, with pre-sales expected to commence in September 1997.

Given the current market situation, the Group expects that upon completion of this development of 84 luxurious residential semi-detached houses, a satisfactory sales result will be achieved.

3. 7-8 Fuk Kwan Avenue, Tai Hang, Hong Kong

The Group acquired a site to build 16 luxurious residential apartments in a 4-storey building. Construction is expected to commence in late 1997 with completion scheduled around end of 1998. This project offers good earnings prospect.

4. Nanjing Dingshan Garden Hotel, Nanjing, China

Occupancy of the 120 units serviced apartments has reached over 70% since its completion in late 1996. Accordingly, satisfactory contribution has been recorded with one of the highest long lease room rates in Nanjing.

The existing 4-star hotel has also been performing well with one of the highest room and occupancy rates in Nanjing.

Phase 3 of the 5-star hotel is scheduled to commence in late 1997. It is one of the few projects eligible for bank financing in both Jiangsu Province and Nanjing City.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

5. Shanghai Garden City, Shanghai, China

The three 30-storey towers in Phase 1 were completed in 1997 with occupation permit obtained. A number of units were pre-sold in 1996. Currently a sales campaign has been launched with good results.

6. Overseas Investments

Park Avenue Apartments, New York, USA

These investment properties, in which the Group has 15% interest, have been generating steady and reasonable rental income. Meanwhile, these apartments will be put up for sale in July and August 1997. With current market development, sales prospect is optimistic.

Beverly Wilshire Hotel, Los Angeles, USA

The Group retains a 10% in this highly reputable hotel which has been achieving high occupancy and room rates, thereby producing satisfactory return. In order to further enhance its profitability, design work has begun for its expansion/renovation.

Four Season Hotel, New York, USA

The Group acquired a 10% interest in the consortium that purchased this hotel. The hotel is ranked first in New York and 11th worldwide. Room and occupancy rates are one of the best in New York and throughout USA.

Regent Hotel, Milan, Italy

The Group acquired a 10% interest in the consortium that purchased this hotel in June 1997. The hotel has 98 rooms with one of the highest room and occupancy rates in Milan and throughout Europe.

Battersea Power Station, London, United Kingdom

The Group has secured a right to develop a 5-star hotel in the Battersea Power Station site in London. It is expected that detailed planning work will begin in 1998.

7. Property Management Services

Management of the Hong Kong Parkview complex is a major step by the Group's expansion into the hospitality business. This coupled with the hotel management contracts in China, which have begun to produce satisfactory fee income, form the foundation for the Group to excel in this field of business.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

TRANSPORT DIVISION

Ferry Operations

1. *CTS-Parkview Holdings Ltd.*

With 7 Tri-Cats now in full service, the Group's high speed ferry operation has significantly enhanced its competitiveness in the Hong Kong/Macau route. This has resulted in additional 21% passenger flow and market share was increased substantially from 16% to 20%.

As part of the regional development and expansion strategy, a new route has been added to Guangzhou in the Pearl River Estuary in January 1997.

Meanwhile, the Hong Kong/Shenzhen route maintained a steady and satisfactory performance in its passenger load and profit contribution. Plans are under way to extend service to night sailing.

2. *Universal Aboitiz Inc. (UAI)*

The ferry operation in the Philippines has continued to expand at a fast pace and now with 7 high speed catamarans in operation, is achieving high load factors in its routes with satisfactory results.

UAI are also currently engaged in an extensive terminal building programme with the main Cebu terminal having opened in early June.

Shipbuilding

3. *FBM Marine Ltd.*

The shipyard in the UK, with a full order book until 1998, continues to implement stringent cost control under its new management structure. A reasonable return has been achieved.

4. *FBM Aboitiz Marine, Inc.*

The FBM Aboitiz Marine, Inc. new shipyard facility in Cebu is nearing final completion and construction of the first vessel, the eighth 45m Tri-Cat for Hong Kong, is well under way with a launch due in October 1997. Work has also started on the construction of the first of a minimum of two 50m Tri-Cats ordered by Universal Aboitiz Inc.

These first two vessels, due for delivery in 1998, will see the commencement of the upgrading programme of the UAI Super-Cat fleet operating on inter-island routes throughout the Philippines.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

TRADING DIVISION

In both Gallaria Furnishings International Ltd. and Korean International Motors Ltd. cost saving measures continue. The lowering of overheads and down-sizing will continue in this sluggish retail market.

LIQUIDITY AND CAPITAL RESOURCES

Proceeds from the sale of apartments amounting to HK\$469 million were applied to repaying the Group's term loans and the Group's investments in China. During the year, the Group obtained new banking facilities of HK\$476 million of which HK\$139 million were applied for investments in Hong Kong and China.

Currently the banking facilities have not been fully utilized and will be reserved to finance the Group's property investment in Hong Kong and overseas.

EMPLOYEES

Total number of employees in the Group excluding those under the payroll of the associated companies at 31st March 1997 was 781 compared with 348 at 31st March 1996.

Remuneration packages are reviewed annually. In addition to the salary payment, other staff benefits include medical and hospitalisation insurance cover. The Group's subsidiaries in UK have a defined benefit pension scheme, details of which are set out in note (32) to the account.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31st March 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note (38) to the financial statements.

The analysis of the Group turnover and contribution to Group results by principal activity and geographical location for the year ended 31st March 1997 is as follows:-

	Consolidated turnover <i>HK\$</i>	Contribution to Group results <i>HK\$</i>
By activity:-		
Trading sales	33,836,394	(15,890,544)
Ship building and marine engineering	216,413,165	(25,425,591)
Proceeds on disposal of investment properties	469,207,750	273,706,909
Management income	9,427,196	833,916
Property investment rental	50,472,168	4,512,761
Charter hire income	2,799,800	(233,827)
Investment and interest income	15,711,409	1,078,769
	<u>797,867,882</u>	<u>238,582,393</u>
Less: General and administrative expenses		<u>(43,015,821)</u>
		<u>195,566,572</u>
By geographical location:-		
Hong Kong	573,083,015	264,281,761
China and South East Asia	6,748,403	527,432
United Kingdom and other areas	218,036,464	(26,226,800)
	<u>797,867,882</u>	<u>238,582,393</u>
Less: General and administrative expenses		<u>(43,015,821)</u>
		<u>195,566,572</u>

REPORT OF THE DIRECTORS

(Continued)

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 1997 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 21 to 60.

An interim dividend of 3 cents per share on 535,359,258 ordinary shares was paid on 7th January 1997. The Directors recommend a final dividend of 10 cents per share, to be paid on or about 15th October 1997.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

SHARE CAPITAL

Movements in share capital during the year are set out in note (26) to the financial statements.

FIXED ASSETS

During the year, the Group sold 16 units and 3 car-parking spaces of its investment properties at Hong Kong Parkview and 1 unit at Springfield Garden for net proceeds of HK\$464,945,273.

Details of the properties for investment of the Group at 31st March 1997 are set out on page 61.

Movements in fixed assets during the year are set out in note (16) to the financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars regarding the principal subsidiaries and associated companies are set out in note (38) and note (39) to the financial statements respectively.

DIRECTORS

The names of the persons who were Directors during the year are:-

Wong Kin Wah, George

Hwang Yiou Hwa, Victor

Hwang Yiu Hwa, Richard

Hwang Teh Hwa, Tony

Sin Kit Leung, Peter

Chan Chi Fai, Brian

Ma Chi Man

Lau Hon Chuen, Ambrose, J.P.

Huang Jianquan, Stanley

(Appointed on 1st May 1996)

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS (Continued)

Under the provisions of the Company's Bye-laws, Mr Hwang Yiou Hwa, Victor, Mr Hwang Teh Hwa, Tony and Mr Huang Jianquan, Stanley retire from the board at the forthcoming annual general meeting. Except for Mr Huang Jianquan, Stanley, the other retiring Directors, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST

- (a) During the year, the Group had the following transactions with Tri-View Limited ("Tri-View") of which Messrs. Wong Kin Wah, George, Hwang Yiou Hwa, Victor, Hwang Yiu Hwa, Richard and Hwang Teh Hwa, Tony are also directors and had beneficial interest in Tri-View.
- (i) Rental of HK\$1,398,150 for car parking spaces in Hong Kong Parkview and club house subscription fee of HK\$253,200 were paid in order to provide the parking and recreational club facilities to the tenants of investment properties owned by some Group companies.
 - (ii) The Group paid lease handling charges and handover charges of aggregate amounts of HK\$919,963 and HK\$1,450,376 respectively.
 - (iii) Rental of HK\$2,350,000 was paid under operating leases for providing staff quarters in Hong Kong Parkview.
 - (iv) Sold goods of saleable value of HK\$573,692.
 - (v) On 6th May 1996, Hong Kong Parkview Management Services Limited (the "Manager"), a wholly owned subsidiary of the Group, entered into a conditional management agreement (the "Management Agreements"), which was approved by Shareholders in a Special General Meeting held on 14th June 1996, with each of Parkview (Suites) Limited ("Parkview Suites") and Parkview (Club House) Limited ("Parkview Clubhouse"), both of them are wholly owned subsidiaries of Tri-View. Pursuant to the Management Agreements, it was agreed that the Manager would take over the management of the service apartments comprising Towers 1 and 2 (the "Parkview Apartments") and of the Clubhouse (the "Clubhouse") of Hong Kong Parkview.

Pursuant to the Management Agreements, the Manager has been appointed as manager of the Parkview Apartments and the Clubhouse for a period of twenty years from 1st June 1996. The Manager is entitled to receive a management fee equal to an amount by which the Operating Profit exceeds the Minimum Profit. In the event that the Operating Profit of Parkview Suites or Parkview Clubhouse for any month is less than the relevant Minimum Profit, the shortfall will be paid by the Manager to Parkview Suites or Parkview Clubhouse. Detail calculation of Operating Profit and Minimum Profit were fully described in the circular to shareholders dated 29th May 1996.

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTEREST (Continued)

Apart from the above-mentioned, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, either directly or indirectly subsisted at the end of the year or at any time during the year.

- (b) 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.
- (c) No Director 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 employer within one year without payment of compensation other than statutory compensation.

MANAGEMENT PROFILES

A. Executive Directors

Mr. Wong Kin Wah, George, aged 45 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.

Mr. Hwang Yiu Hwa, Victor, aged 43 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.

Mr. Hwang Yiu Hwa, Richard, aged 42 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 41 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. Huang Jianquan, Stanley, aged 50 specialised in landscaping architecture and design. He has been involved in the Group's China developments. He was appointed as Director in 1996.

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

Mr. Sin Kit Leung, Peter, aged 57 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 of the Group.

REPORT OF THE DIRECTORS

(Continued)

MANAGEMENT PROFILES (Continued)

Mr. Chan Chi Fai, Brian, aged 42 is a member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Society of Accountants. He has close to 20 years' experiences in banking and commercial sectors. Mr. Chan joined the Group in 1990 and is now responsible for the overall management of the Group.

Non-Executive Directors

Mr. Ma Chi Man, aged 65 is an executive director of the Chinese General Chamber of Commerce and the chairman of Hong Kong Association of China Travel Organisations Limited. He was appointed as Director in 1994.

The Honourable Lau Hon Chuen, Ambrose, J.P., aged 50 is the senior partner of Chu & Lau, Solicitors and Notaries. Mr. Lau is a member of the Provisional Legislative Council, the Managing Board of the Land Development Corporation and the Consultative Committee on the New Airport and Related Projects among his many public service appointments. He was appointed as Director in 1995.

B. Senior Management Staff

Mr. Laurence Neil Baum, aged 43 is in charge of the Group's legal affairs since joining the Group in 1991. He is a Solicitor of the Supreme Court of England and Wales as well as Hong Kong.

Mr. Eric Charrington, aged 50 is a member of the Institute of Chartered Accountants in England and Wales. Before joining the Group in 1995, he was involved in direct investments in China and financial services in a multinational organization.

Mr. Cheung King Ching, Herbert, aged 55 is an Authorised Person and Registered Architect with over 20 years' experience in construction and building industry. He joined Hong Kong Parkview in 1988 and is responsible for the management of the Group's property construction activities.

Mr. Chow Kwing Chan, aged 45 has over 20 years of experience in the hotel industry and retail business. He joined Hong Kong Parkview in 1988 and was involved in setting up the Group's motor car trading business. Since 1995 he is in charge of Gallaria Furnishings International Limited.

Mr. Kim Gil Rae, aged 50 held a Bachelor of Arts Degree. He joined Hyundai Motor Company in Korea in 1978, holding various senior positions in the sales and marketing department, and became the Executive Vice President of Hyundai Motor America in 1992. He joined the Group's car trading division in 1994 as Managing Director of Korean International Motors Limited.

REPORT OF THE DIRECTORS

(Continued)

MANAGEMENT PROFILES (Continued)

B. Senior Management Staff (Continued)

Mr. Kwon Wonsik, aged 62 held a Master Degree in Business Administration. He started his hotel career in 1969 and had held various senior positions with international hotel chains, the most recent one being Executive Vice President of Regent International Hotels Group. He is Managing Director of Parkview Hotels & Resorts Limited founded in 1994 which is the Group's joint venture company in hotel management division.

Mr. Ma Kinson, Vincent, aged 51 had been a veteran bank officer. Before he joined the Group in 1994, he was a director of a local listed company in charge of its real estate projects in China and Vietnam. Mr. Ma takes an active role in managing the Group's investments in China as well as corporate finance.

Mr. Ng Chan Shing, Lawrence, aged 53 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 new household equipment trading activities.

Mr. Edward John Warbey, aged 51 is a Chartered Accountant of the United Kingdom. Before joining the Group in 1990, he was involved with construction companies in Sweden and United Kingdom and development of new facilities specialising in the production of fast ferries in Singapore. Mr. Warbey is responsible for the development of shipbuilding business of the Group.

MANAGEMENT CONTRACTS

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

INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 1997, the Directors and their respective associates had interest in the issued share capital of the Company as follows:-

	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Wong Kin Wah, George	10,000,000	-	-	-
Huang Jianquan, Stanley	43,000,000	-	-	-

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

REPORT OF THE DIRECTORS

(Continued)

INTEREST IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Apart from the above, no interests were held or deemed or taken under the Securities (Disclosure of Interests) Ordinance to be held by any Directors or Chief Executives or their respective associates of the Company in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the Ordinance or which are required pursuant to Section 29 of the Ordinance to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDER

As at 31st March 1997, the following shareholder of the Company was interested in ten per cent or more of the issued share capital of the Company:-

	Number of shares held
Kompass International Limited	293,674,138

Apart from the above, no other person was recorded in the register kept pursuant to Section 16 of the Securities (Disclosure of Interests) Ordinance as having an interest in ten per cent or more of the issued share capital of the Company.

EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

Details of emoluments of the Directors and the five highest paid employees are set out in note (4) to the financial statements.

BANK LOANS AND OTHER BORROWINGS

(a) Details of bank loans and overdrafts of the Group as at 31st March 1997 were as follows:-

	1997	1996
	HK\$	HK\$
Repayable within a period		
Not exceeding 1 year	69,501,242	113,156,467
Of 1 to 2 years	153,065,110	51,447,607
Of 2 to 5 years	17,192,765	263,658,834
Over 5 years	-	33,857,261
	239,759,117	462,120,169

REPORT OF THE DIRECTORS

(Continued)

BANK LOANS AND OTHER BORROWINGS (Continued)

(b) Details of other borrowings of the Group as at 31st March 1997 were as follows:-

	1997	1996
	HK\$	HK\$
Obligations under finance leases repayable within a period		
Not exceeding 1 year	1,841,300	1,471,880
Of 1 to 2 years	1,382,234	1,428,591
Of 2 to 5 years	-	1,660,275
	<hr/>	<hr/>
	3,223,534	4,560,746
Other loans repayable within a period		
Of 2 to 5 years	1,108,184	1,601,400
	<hr/>	<hr/>
	4,331,718	6,162,146
	<hr/> <hr/>	<hr/> <hr/>

INTEREST CAPITALISED

No interest was capitalised by the Group during the year (1996: HK\$21,578,626).

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of combined purchases attributable to the Group's largest supplier and the five largest suppliers are 10% and 30% respectively during the year.

The percentage of combined sales attributable to the Group's largest customer and the five largest customers are 12% and 45% respectively during the year.

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 has owned any interest in the Group's five largest customers or five largest suppliers.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

Except as disclosed in note (27) to the financial statements, there were no other convertible securities, warrants or options issued by the Company and its subsidiaries during the year.

PURCHASE, SALE OR REDEMPTION OF 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.

REPORT OF THE DIRECTORS

(Continued)

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and the law in Bermuda.

CHARITABLE DONATIONS

The total donations made by the Group during the year ended 31st March 1997 amounted to HK\$231,100 (1996: HK\$478,500) for charitable and other purposes.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited for the year ended 31st March 1997, except that the independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation at Annual General Meetings of the Company in accordance with the Company's Bye-laws.

POST BALANCE SHEET DATE EVENT

Details of significant post balance sheet date event are set out in note (36) to the financial statements.

AUDITORS

The financial statements for the year have been audited by Messrs. Kwan Wong Tan & Fong who have expressed their willingness to continue in office. Messrs. Kwan Wong Tan & Fong have now merged with Messrs. Deloitte Touche Tohmatsu and the merged firm will practice under the name of Deloitte Touche Tohmatsu. Accordingly, a resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Wong Kin Wah, George
Chairman

Hong Kong, 22nd July 1997

AUDITORS'S REPORT



關黃陳方
會計師行

Certified Public Accountants 執業會計師
52th Floor, Hopewell Centre 香港皇后大道東區
180 Queen's Road East 合和中心52樓
Hong Kong

**To the Shareholders of
The Hong Kong Parkview Group Limited**
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurances as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the affairs of the Company and the Group as at 31st March 1997 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Kwan Wong Tan & Fong
Certified Public Accountants

Hong Kong, 22nd July 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 1997

	<i>Notes</i>	1997 HK\$	1996 <i>HK\$</i>
Turnover	(2)	<u>797,867,882</u>	<u>556,168,938</u>
Operating profit/(loss)	(3)	195,566,572	(25,970,594)
Share of post-acquisition profits less (losses) of associated companies		2,111,980	(17,707,190)
Share of loss of a limited partnership		<u>(208,772)</u>	<u>(324,560)</u>
Profit/(Loss) before taxation		197,469,780	(44,002,344)
Taxation	(5)	<u>(43,212,777)</u>	<u>(4,213,991)</u>
Profit/(Loss) after taxation		154,257,003	(48,216,335)
Minority interests		<u>-</u>	<u>-</u>
Profit/(Loss) attributable to shareholders	(6)	154,257,003	(48,216,335)
Dividends	(7)	<u>(69,596,704)</u>	<u>-</u>
Profit/(Loss) for the year retained		<u>84,660,299</u>	<u>(48,216,335)</u>
Earnings/(Loss) per share - Basic	(8)	<u>28.93 cents</u>	<u>(9.05 cents)</u>

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31ST MARCH 1997

	Notes	Group		Company	
		1997 HK\$	1996 HK\$	1997 HK\$	1996 HK\$
CURRENT ASSETS	(9)	784,588,107	843,169,816	15,683,886	12,606,232
CURRENT LIABILITIES	(10)	(726,632,947)	(753,802,974)	(99,135,177)	(11,788,710)
NET CURRENT					
ASSETS/(LIABILITIES)		57,955,160	89,366,842	(83,451,291)	817,522
OTHER RECEIVABLES		29,435,106	10,738,766	1,500,000	1,500,000
FIXED ASSETS	(16)	1,573,391,106	1,311,687,181	6,664,123	2,237,369
CONSTRUCTION					
IN PROGRESS	(17)	318,594,874	5,946,808	-	-
INTEREST IN SUBSIDIARIES	(18)	-	-	698,907,671	465,475,335
INTEREST IN ASSOCIATED					
COMPANIES	(19)	673,315,012	678,269,225	284,147,570	280,721,478
INTEREST IN OTHER					
INVESTMENTS	(20)	135,077,659	274,439,263	9,868,002	9,868,002
INTEREST IN A LIMITED					
PARTNERSHIP	(21)	12,574,105	12,782,877	-	-
LOAN STOCK RECEIVABLE	(22)	-	-	418,255,162	515,405,196
PRE-OPERATING EXPENSES	(23)	14,514,414	4,658,853	-	-
DEFERRED AND					
DEVELOPMENT					
EXPENDITURE	(24)	20,515,206	20,399,826	6,402,590	4,852,386
SECURED LOANS TO					
CUSTOMERS	(25)	3,607,333	48,143,771	-	-
		<u>2,838,979,975</u>	<u>2,456,433,412</u>	<u>1,342,293,827</u>	<u>1,280,877,288</u>
CAPITAL AND RESERVES					
Share capital	(26)	535,359,258	532,443,418	535,359,258	532,443,418
Reserves	(28)	2,044,641,268	1,570,218,276	806,934,569	748,433,870
		2,580,000,526	2,102,661,694	1,342,293,827	1,280,877,288
MINORITY INTERESTS		84,795,554	-	-	-
LONG TERM LIABILITIES	(29)	174,183,895	353,771,718	-	-
		<u>2,838,979,975</u>	<u>2,456,433,412</u>	<u>1,342,293,827</u>	<u>1,280,877,288</u>

Sin Kit Leung, Peter
Director

Chan Chi Fai, Brian
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 1997

	<i>Notes</i>	1997 <i>HK\$</i>	1996 <i>HK\$</i>
Net cash inflow/(outflow) from operating activities	<i>(30)(a)</i>	141,132,673	(137,354,516)
Returns on investments and servicing of finance			
Interest paid		(30,057,589)	(31,191,352)
Interest paid on finance leases		(564,895)	(536,154)
Interest received		12,716,598	19,167,925
Dividends paid		(16,039,178)	(15,953,622)
Dividends received		1,855,636	5,630,081
Net cash (outflow) from returns on investments and servicing of finance		(32,089,428)	(22,883,122)
Taxation			
Hong Kong profits tax			
- paid		(9,438,293)	(1,060,025)
- refunded		93	66,191
Net cash (outflow) from taxation		(9,438,200)	(993,834)
Investing activities			
Net cash outflows for acquisition of subsidiaries	<i>(30)(d)</i>	(63,820,488)	-
Net proceeds on disposal of an associated company		-	2,665,000
Purchase of, capital contributions to and advances to associated companies		(116,449,405)	(130,805,858)
Purchase of, capital contributions to and advances to other investments		(63,337,049)	(88,388,871)
Purchase of fixed assets		(19,038,723)	(37,196,554)
Additions to pre-operating expenses		(10,703,589)	(2,362,085)
Proceeds on withdrawal from a property development joint venture		193,205,667	-
Proceeds on disposal of other fixed assets		1,346,374	1,579,452
Net proceeds on disposal of investment properties and related fixed assets		464,945,273	117,601,900
Payments in construction in progress		(170,463,718)	(2,503,965)
Deferred and development expenditure capitalised		(2,116,864)	(21,319,472)
Loans (advanced to)/repaid from customers		(54,108,075)	39,233,828
Net cash inflow/(outflow) from investing activities		159,459,403	(121,496,625)
Net cash inflow/(outflow) before financing		259,064,448	(282,728,097)
Financing			
Issue of new shares on exercise of warrants right		11,663,360	-
Repurchase of own shares		-	(1,119,104)
Net bank loans (repaid)/obtained		(291,117,794)	259,353,976
Net finance leases (repaid)		(1,612,111)	(846,696)
Net other loans (repaid)		(591,292)	(60,584,836)
Net reduction in advances from a minority shareholder		(3,575,749)	-
Net cash (outflow)/inflow from financing	<i>(30)(b)</i>	(285,233,586)	196,803,340
Net (decrease) in cash and cash equivalents		(26,169,138)	(85,924,757)
Cash and cash equivalents, beginning of year		27,866,398	113,644,459
Effect on foreign exchange rate changes		(617,336)	146,696
Cash and cash equivalents, end of year	<i>(30)(e)</i>	1,079,924	27,866,398

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(1) SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which conform in all material respects with Hong Kong Statements of Standard Accounting Practice. The principal accounting policies which have been adopted in the preparation of these financial statements are set out below:-

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the year ended 31st March 1997. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively.

All significant intercompany transactions have been eliminated in the consolidated financial statements.

Goodwill or premium arising on consolidation is taken directly to reserve.

(b) Subsidiary companies

A company is a subsidiary company if more than 50% of its issued capital is held by the Group for long term. Investments in subsidiary companies are carried in the accounts of the Company at cost less provision for permanent diminution in value where appropriate.

(c) Associated companies

Associated companies are those companies, other than subsidiaries, in which the Group has a long term equity interest of 20% to 50% and is in a position to exercise significant influence.

Investments in associated companies are carried in the consolidated balance sheet at the Group's attributable share of their net assets, together with any premium on acquisition.

Investments in associated companies are carried in the Company's balance sheet at cost less provision for permanent diminution in value where appropriate. Income from associated companies is recognised to the extent of dividends received and receivable.

(d) Other investments

Other investments are investments in companies other than subsidiaries or associated companies and are stated at cost less provision for permanent diminution in value where appropriate. Income is recognised to the extent of dividends received and receivable.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interest in a limited partnership

The Group holds a 15% limited partnership interest in a limited partnership in New York and is in a position to exercise significant influence in its management decisions. The Group's liability to the partnership is limited to the amount of capital contribution paid.

Interest in the limited partnership is accounted for under the equity method of accounting in the subsidiary's financial statements and in the consolidated financial statements.

(f) Short term investments

Short term investments are stated at the lower of cost and market value.

(g) Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value. Cost represents purchase cost and is calculated using the first-in, first-out method. Net realisable value represents selling price less selling and distribution expenses.

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds receipts on account is shown under debtors as amount recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

(h) Government Grants

Government grants that relate to specific long-term contracts are treated as deferred credits and included in accounts payable, accruals and deferred income. They are taken to the profit and loss account according to the stage reached in the contract by reference to the value of the work done.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Depreciation

Increases in valuation of land and buildings are credited to assets revaluation reserve; decreases are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to the profit and loss account. Upon disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to revenue reserve.

Depreciation is provided so as to write off the cost of fixed assets over their estimated useful lives on a straight line basis. In determining the recoverable amount of fixed assets, expected future cash flows have not been discounted to their present values. No residual value has been assumed for the depreciable fixed assets by the directors in determining their depreciation charge.

The annual rates of depreciation adopted are as follows:-

Investment properties	Nil
Land - Long lease in Hong Kong	Over the term of the lease
- Freehold outside Hong Kong	Nil
Buildings	5%
Vessels	Over the remaining useful life of 20 years starting from the vessel being put to service
Machinery, equipment and motor vehicles	5% - 33 ¹ / ₃ %
Furniture and fixtures	20%
Leasehold improvements	20% or over the life of the lease
Junks	10%
Motor vehicles registration marks	Nil

Assets held under finance leases are depreciated using the straight-line method over their estimated useful lives.

(j) Investment properties

Investment properties are defined as properties which are rental income producing and intended to be held for long term. Investment properties are included in the accounts at their open market value, on the basis of an annual professional valuation. Surplus arising on revaluation is credited to the revaluation reserve, whereas deficit on revaluation is first set off against the revaluation reserve and thereafter charged to profit and loss account. On the subsequent sale of a property, the reserve is accounted for in the profit and loss account as part of the profit or loss on disposal of the property.

(k) Construction in progress

Construction in progress represents land cost and other construction costs incurred for existing and future construction projects. The amount will be transferred to fixed assets on completion or written off once the projects are abandoned.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Pre-operating expenses

Pre-operating expenses represent those expenses incurred prior to the commencement of new lines of business and are amortised over five years on a straight-line basis from the date of commencement of the operations.

(m) Deferred and development expenditure

Deferred expenditure represents costs incurred for the feasibility study of investment projects. These amounts will be either capitalised as investment costs or written off once the projects are considered not successful.

Development expenditure relating to designs of a specific class of vessels intended for commercial exploitation is capitalised as an intangible asset. Such expenditure is amortised over a period of between four and ten years. Expenditure on pure and applied research is written off as incurred.

(n) Finance leases

Leases where substantially all the rewards and risks of ownership of assets remain with the Group are accounted for as finance leases.

Assets held under finance leases are recorded as fixed assets by reference to the discounted present value of the minimum lease payments and the corresponding obligations to pay future rentals are recorded as liabilities. Finance charges are charged to the profit and loss account when incurred.

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Operating lease payments and receipts are charged and credited to the profit and loss account on a straight-line basis over the lease term.

(p) Recognition of income

Profit on disposal of investment properties and a vessel is recognised when the assets are delivered to the buyers and the related risks and rewards of the ownership have been passed. Rental income and charter hire income is credited to profit and loss account on a straight line basis over the rental and charter hire agreement terms. Trading sale is recognised when the related goods are delivered or when title of goods is passed to customers. Accounting policy adopted for the recognition of income from long term contracts is set out in note (1)(g). Management fee income is accrued when the related services rendered. Interest income is accrued on a time-proportion basis. Other incomes are recognised on accrual basis.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Foreign currency translation

Monetary assets and liabilities maintained in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling at the balance sheet date. Transactions during the year have been converted at the rates prevailing on the transaction date. All exchange differences are dealt with in the profit and loss account.

The financial statements of subsidiary companies denominated in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling at the balance sheet date. Exchange differences arising thereof are dealt with as movements in reserves.

(r) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

(s) Related companies

Related companies are companies owned by the family interest of the substantial shareholder of the Company.

(t) Pension scheme arrangements

The Group's subsidiaries in United Kingdom operate a defined benefit pension scheme which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified independent actuary who determines the rates of contribution payable. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the years during which the company will benefit from the employees' services.

(2) TURNOVER

	Group	
	1997	1996
	HK\$	HK\$
The amount comprises:-		
Proceeds on disposal of investment properties	469,207,750	121,690,000
Property investment rental	50,472,168	66,180,879
Trading sales	33,836,394	18,161,435
Shipbuilding and marine engineering	216,413,165	322,518,079
Management income	9,427,196	5,526,539
Charter hire income	2,799,800	695,700
Investment and interest income	15,711,409	21,396,306
	797,867,882	556,168,938

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(3) OPERATING PROFIT/(LOSS)

	Group	
	1997	1996
	HK\$	HK\$
Operating profit/(loss) has been arrived at after charging:-		
Interest paid on bank loans repayable after 5 years	-	5,526,645
Interest paid on bank loans, other loans and overdrafts repayable within 5 years	28,974,933	27,723,582
	28,974,933	33,250,227
<i>Less:</i> Interest capitalised in		
- interest in associated companies	-	(13,851,960)
- interest in other investments	-	(7,726,666)
	28,974,933	11,671,601
Interest paid on finance leases	564,895	536,154
Depreciation		
- on assets held under finance leases	1,310,734	1,300,405
- on owned fixed assets	12,559,389	10,083,091
- on assets held in use under operating lease	1,840,085	613,362
	15,710,208	11,996,858
Write off/Amortisation of pre-operating expenses	1,714,463	370,371
Write off/Amortisation of deferred and development expenditures	2,866,199	4,390,043
Rental under operating leases		
- on land and buildings	15,145,644	15,525,572
- on plant and machinery	702,160	415,896
Auditors' remuneration		
- current year audit	1,237,624	1,196,014
- (over) provision in prior years	(68,000)	(187,000)
	1,169,624	1,009,014
<i>Less:</i> Capitalised in pre-operating expenses and deferred expenditure	(69,000)	(67,000)
	1,100,624	942,014
Loss on disposal of short term investments	17,511,300	23,733,741
Loss on revaluation of short term investments	14,750,471	3,146,467
Written off of a property development joint venture	9,548,610	-
Loss on disposal of other fixed assets	1,748,635	320,583
Exchange loss	1,823,260	-
Provision for doubtful debt/bad debt written off	3,772,091	8,014,739
Pension scheme contributions	2,759,071	2,587,346

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(3) OPERATING PROFIT/(LOSS) (Continued)

	Group	
	1997	1996
	HK\$	HK\$
and after crediting:		
Exchange gain	-	1,018,546
Interest income	13,855,773	18,462,237
Property rental income arising from operating leases less out-goings	47,642,635	57,652,245
Charter hire income under operating lease	2,782,800	695,700
Dividends from listed investments	1,695,136	3,421,066
Dividends from unlisted investments	160,500	2,209,015
Gain on disposal of interest in an associated company	-	417,688
Profit on disposal of investment properties and related fixed assets	273,706,907	19,777,093
Government grants	2,784,004	3,909,237
	<u>273,706,907</u>	<u>19,777,093</u>

(4) EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

	Group	
	1997	1996
	HK\$	HK\$
Directors' emoluments		
Fees	-	-
Other emoluments	4,104,095	9,929,802
	<u>4,104,095</u>	<u>9,929,802</u>

The emoluments of the directors of the Company fall within the following bands:-

	Group	
	1997	1996
	No. of directors	
HK\$0 - HK\$1,000,000	9	5
HK\$1,000,001 - HK\$1,500,000	-	-
HK\$1,500,001 - HK\$2,000,000	-	1
HK\$2,000,001 - HK\$2,500,000	-	3
	<u>9</u>	<u>9</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(4) EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (Continued)

Five Highest Paid Employees

The five highest paid employees during the year do not include any director (1996: two), details of whose emoluments are disclosed above. The five (1996: one) non-director emoluments are analysed and fall within the bands set out below.

	Group	
	1997	1996
	HK\$	HK\$
Salaries and other emoluments	<u>7,433,044</u>	<u>1,877,416</u>

	Group	
	1997	1996
	No. of employees	
HK\$1,000,001 - HK\$1,500,000	3	-
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	-
	<u>5</u>	<u>1</u>

(5) TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (1996: 16.5%) on the estimated assessable profit for the year after deducting tax losses brought forward from previous years. Overseas taxes have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	1997	1996
	HK\$	HK\$
Company and subsidiaries		
Hong Kong profits tax	41,476,092	3,615,038
Overseas taxation	252,898	43,596
Associated companies		
Hong Kong profits tax	1,441,931	45,045
Overseas taxation	(28,039)	510,312
Deferred taxation	69,895	-
	<u>43,212,777</u>	<u>4,213,991</u>

- (b) No provision for deferred taxation has been made for the Group as the effect of all timing differences is immaterial.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(6) PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the profit/(loss) attributable to shareholders, profit of HK\$119,349,883 (1996: loss of HK\$124,640,426) is dealt with in the profit and loss account of the Company.

(7) DIVIDENDS

	Group	
	1997	1996
	HK\$	HK\$
Interim dividend of 3 cents per share paid (1996: Nil)	16,060,778	-
Proposed final dividend of 10 cents per share (1996: Nil)	53,535,926	-
	69,596,704	-

(8) EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the consolidated profit for the year of HK\$154,257,003 (1996: loss of HK\$48,216,335) and on the weighted average number of 533,153,681 (1996: 532,572,747) ordinary shares in issue during the year.

(9) CURRENT ASSETS

	<i>Notes</i>	Group		Company	
		1997	1996	1997	1996
		HK\$	HK\$	HK\$	HK\$
Cash and bank balances		45,358,632	39,194,594	1,723,174	4,754,484
Short term investments	(11)	272,278,347	482,187,501	-	-
Interest receivable		1,826,603	687,428	-	-
Accounts receivable and prepayments		75,205,409	78,213,304	10,664,203	6,610,067
Amount recoverable on contracts	(12)	31,167,675	43,461,525	-	-
Other receivables		51,470,578	6,943,281	2,205,411	1,088,081
Other deposits and temporary payments	(13)	134,602,689	126,127,127	-	-
Utility, other deposits and accrued income*		5,355,203	11,650,418	1,091,098	153,600
Amount due from related companies	(14)	6,528,369	-	-	-
Inventories and work in progress	(15)	42,033,142	17,022,779	-	-
Unsecured short term loan receivables		2,800,000	20,897,677	-	-
Secured loans to customers					
Ø current portion	(25)	115,403,999	16,759,486	-	-
Tax recoverable		557,461	24,696	-	-
		784,588,107	843,169,816	15,683,886	12,606,232

* Included in utility, other deposits and accrued income is an amount of HK\$1,463,936 (£116,250) (1996: HK\$1,545,469 (£131,250)) which falls due after more than one year.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(10) CURRENT LIABILITIES

Note	Group		Company	
	1997 HK\$	1996 HK\$	1997 HK\$	1996 HK\$
Bank overdrafts, secured	44,278,708	11,328,196	18,541,785	13,954
Bills payable	1,947,082	-	1,947,082	-
Short term bank loan, secured	-	51,800,000	-	-
Secured bank loans				
- current portion	25,222,534	50,028,271	-	-
Margin loan, secured	(34) 270,308,460	352,671,853	-	-
Creditors, accruals and deferred income	129,673,791	71,013,223	23,244,150	3,485,960
Payments received on accounts	57,852,242	47,676,975	-	-
Other payables	17,185,528	111,283,340	-	-
Deposits received	45,076,080*	9,735,795	-	-
Obligations under finance leases - current portion	1,841,300	1,471,880	-	-
Amount due to related companies	2,210,760	2,134,559	1,101,273	7,278,632
Provision for taxation	77,305,575	44,485,521	570,000	836,803
Unclaimed dividends	194,961	173,361	194,961	173,361
Proposed dividends	53,535,926	-	53,535,926	-
	726,632,947	753,802,974	99,135,177	11,788,710

* Included an amount of HK\$1,089,240 which represented the margin deposit received on outstanding contracts for marketable derivatives dealing transactions.

(11) SHORT TERM INVESTMENTS

	Group	
	1997 HK\$	1996 HK\$
Listed in Hong Kong	34,906,030	34,023,982
Listed overseas	10,947,554	231,773,933
Unlisted investments	226,424,763	216,389,586
	272,278,347	482,187,501
Market value		
Listed in Hong Kong	34,915,857	36,719,815
Listed overseas	10,932,834	229,268,340

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(12) AMOUNT RECOVERABLE ON CONTRACTS

Amounts recoverable on contracts includes incremental costs of HK\$9,237,746 (£733,562) (1996: HK\$10,442,235 (£886,814)) incurred by a subsidiary in the year as a result of the failure of certain components being supplied to FBM Marine Limited. The subsidiary company is continuing to vigorously pursue claims to recover these costs and other consequential losses against the suppliers of the components. Until such time as the claims are finalised and agreed by the suppliers, the precise outcome of the claims cannot be determined. However, the directors are confident that the net amounts included in amounts recoverable on contracts will be recovered in full.

(13) OTHER DEPOSITS AND TEMPORARY PAYMENTS

The balance includes a deposit of HK\$42,278,311 (1996: HK\$42,278,311) paid for the purchase of a property situated in Shanghai.

(14) AMOUNT DUE FROM RELATED COMPANIES

The amount due from related companies represents amount receivables in the ordinary course of business of the Group.

(15) INVENTORIES AND WORK IN PROGRESS

	Group	
	1997	1996
	HK\$	HK\$
Inventories		
Raw materials and consumables	2,631,937	5,652,000
Works in progress	2,014,880	2,425,650
Finished goods	25,186	35,325
	<hr/>	<hr/>
	4,672,003	8,112,975
General merchandises	17,476,792	7,614,554
	<hr/>	<hr/>
	22,148,795	15,727,529
Work in Progress of Long Term Contracts		
Net cost less foreseeable losses	19,884,347	1,295,250
	<hr/>	<hr/>
Balance at 31st March	42,033,142	17,022,779
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(16) FIXED ASSETS

Group	Investment properties in Hong Kong under long lease <i>HKS</i>	Land and buildings <i>HKS</i>	Vessels <i>HKS</i>	Machinery, equipment and motor vehicles <i>HKS</i>	Furniture and fixtures <i>HKS</i>	Leasehold improve- ments <i>HKS</i>	Junks <i>HKS</i>	Motor vehicle registration marks <i>HKS</i>	Total <i>HKS</i>
At cost or valuation									
Balance at 1/4/1996	1,088,650,000	171,724,875	33,428,210	41,949,935	4,077,999	14,651,778	570,825	1,625,000	1,356,678,622
Exchange adjustment	-	1,509,210	-	2,329,859	(158)	216,770	-	-	4,055,681
On acquisitions of subsidiaries	-	47,000,000	-	2,052,581	492,200	6,003,454	-	-	55,548,235
Additions during the year	-	9,320,142	-	4,572,192	512,227	4,554,162	-	80,000	19,038,723
Disposals during the year	(412,000,000)	-	-	(1,967,796)	(3,450)	(8,520,076)	(570,825)	-	(423,062,147)
Reclassified to investment property	142,611,826	(150,000,000)	-	-	-	-	-	-	(7,388,174)
Surplus on revaluation	629,738,174	-	-	-	-	-	-	-	629,738,174
Reversal of revaluation reserve (Note 28)	-	(6,385,720)	-	-	-	-	-	-	(6,385,720)
Balance at 31/3/1997	1,449,000,000	73,168,507	33,428,210	48,936,771	5,078,818	16,906,088	-	1,705,000	1,628,223,394
Accumulated depreciation									
Balance at 1/4/1996	-	11,406,505	613,362	23,366,486	2,041,906	7,489,497	73,685	-	44,991,441
Exchange adjustment	-	481,394	-	1,495,581	(22)	168,249	-	-	2,145,202
On acquisition of subsidiary	-	-	-	1,142,358	270,400	3,715,389	-	-	5,128,147
Charge for the year	-	3,977,618	1,840,085	6,152,886	924,357	2,800,992	14,270	-	15,710,208
Written back on disposal	-	-	-	(939,200)	(1,840)	(4,725,541)	(87,955)	-	(5,754,536)
Reclassification to investment property	-	(7,388,174)	-	-	-	-	-	-	(7,388,174)
Balance at 31/3/1997	-	8,477,343	2,453,447	31,218,111	3,234,801	9,448,586	-	-	54,832,288
Net book value									
Balance at 31/3/1997	1,449,000,000	64,691,164	30,974,763	17,718,660	1,844,017	7,457,502	-	1,705,000	1,573,391,106
Balance at 31/3/1996	1,088,650,000	160,318,370	32,814,848	18,583,449	2,036,093	7,162,281	497,140	1,625,000	1,311,687,181

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(16) FIXED ASSETS (Continued)

Notes:

(a) The investment properties of the Group at 31st March 1997 were revalued at HK\$1,449,000,000 (1996: HK\$1,088,650,000) by AA Property Services Limited, an independent professional valuer, on open market value basis.

(b) Land and buildings

	1997	1996
	HK\$	HK\$
Land		
- Long lease in Hong Kong	30,729,280	111,311,555
- Freehold outside Hong Kong	23,926,700	17,073,750
	54,655,980	128,385,305
Buildings		
- in Hong Kong	9,885,000	38,688,445
- outside Hong Kong	8,627,527	4,651,125
	18,512,527	43,339,570
	73,168,507	171,724,875

In previous years, the Group had revalued certain of its land and buildings and accordingly carried these assets in its balance sheet at their revalued amounts, the Group has taken advantage of the provision in paragraph 72 of Hong Kong Statement of Standard Accounting Practice No. 17 - Property, Plant and Equipment not to make regular revaluations of its land and buildings and accordingly no further revaluation of such assets is carried out.

If the revalued land and buildings are carried at cost less accumulated depreciation, the carrying value of the land and buildings would have been stated at approximately HK\$7,077,266 (1996: HK\$7,265,175).

(c) The net book value of machinery, equipment and motor vehicles held under finance leases amounts to HK\$3,425,420 (1996: HK\$4,462,022).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(16) FIXED ASSETS (Continued)

- (d) Fixed assets of the Group include cost or valuation of HK\$1,482,428,210 (1996: HK\$1,122,078,210) and accumulated depreciation of HK\$2,453,447 (1996: HK\$613,362) in respect of assets held for use under operating leases during the year.

Company	Leasehold improvements <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost					
Balance at 1/4/1996	559,118	83,295	2,340,928	65,000	3,048,341
Additions during the year	4,169,041	439,027	793,630	-	5,401,698
Disposal during the year	-	-	(8,496)	-	(8,496)
Balance at 31/3/1997	4,728,159	522,322	3,126,062	65,000	8,441,543
Accumulated depreciation					
Balance at 1/4/1996	139,359	7,347	657,599	6,667	810,972
Charge for the year	272,835	76,367	598,839	20,000	968,041
Written back on disposal	-	-	(1,593)	-	(1,593)
Balance at 31/3/1997	412,194	83,714	1,254,845	26,667	1,777,420
Net book value					
Balance at 31/3/1997	4,315,965	438,608	1,871,217	38,333	6,664,123
Balance at 31/3/1996	419,759	75,948	1,683,329	58,333	2,237,369

(17) CONSTRUCTION IN PROGRESS

	Land cost <i>HK\$</i>	Other construction costs <i>HK\$</i>	Group 1997 <i>HK\$</i>	1996 <i>HK\$</i>
Balance at 1st April	1,530,394	4,416,414	5,946,808	-
On acquisition of subsidiaries	82,009,380	60,612,318	142,621,698	-
Reclassified from fixed assets	-	-	-	1,500,482
Reclassified from deferred expenditure	-	-	-	1,912,449
Additions during the year	-	170,463,718	170,463,718	2,503,965
Exchange adjustment	(252,448)	(184,902)	(437,350)	29,912
Balance at 31st March	83,287,326	235,307,548	318,594,874	5,946,808

The land is situated outside Hong Kong and held under medium lease.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(18) INTEREST IN SUBSIDIARIES

	Company	
	1997	1996
	HK\$	HK\$
Unlisted shares, at cost	224,552,759	224,552,766
Amount due therefrom	1,281,746,690	956,019,658
Amount due thereto	(837,271,276)	(719,177,089)
Shareholder's loans	29,879,498	4,080,000
	474,354,912	240,922,569
Balance at 31st March	698,907,671	465,475,335

Particulars of the principal subsidiaries are set out in note (38) to the financial statements.

(19) INTEREST IN ASSOCIATED COMPANIES

	Group	
	1997	1996
	HK\$	HK\$
Share of net assets, other than goodwill	95,252,212	135,033,386
Premium on acquisition of an associated company	57,233	-
	95,309,445	135,033,386
Amount due therefrom	65,348,785	97,059,264
Amount due thereto	(877,380)	-
Shareholder's loans (<i>Note a</i>)	513,534,162	446,176,575
	578,005,567	543,235,839
Balance at 31st March	673,315,012	678,269,225

	Company	
	1997	1996
	HK\$	HK\$
Unlisted shares, at cost	8	8
Amount due therefrom	14,966,758	16,655,728
Shareholder's loans	269,180,804	264,065,742
	284,147,562	280,721,470
Balance at 31st March	284,147,570	280,721,478

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(19) INTEREST IN ASSOCIATED COMPANIES (Continued)

- (a) Includes an amount of HK\$202,433,333 (1996: HK\$177,133,333) which represented a loan due from an associated company is subject to certain terms and conditions of a subordination agreement entered into in favour of a syndicate of lender banks.
- (b) Particulars of the principal associated companies are set out in note (39) to the financial statements.

(20) INTEREST IN OTHER INVESTMENTS

	Group		Company	
	1997	1996	1997	1996
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Progress payments for property development joint ventures and development expenses paid	-	193,734,652	-	-
Interest and other costs incurred capitalised	-	9,019,625	-	-
	<u>-</u>	<u>202,754,277</u>	<u>-</u>	<u>-</u>
Unlisted shares in Hong Kong, at cost	5,538,900	5,003,900	-	-
Shareholder's loans	4,996,100	4,996,100	-	-
	<u>10,535,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>
Unlisted shares in overseas, at cost	3,103,891	3,048,267	-	-
Shareholder's loans	6,779,936	14,495,311	-	-
	<u>9,883,827</u>	<u>17,543,578</u>	<u>-</u>	<u>-</u>
Equity contributions to overseas investments	100,671,716	32,417,942	-	-
Other related costs capitalised	3,504,114	1,240,464	-	-
	<u>104,175,830</u>	<u>33,658,406</u>	<u>-</u>	<u>-</u>
Club membership in overseas, at cost	615,000	615,000	-	-
Listed shares in overseas, at cost (<i>Note a</i>)	9,868,002	9,868,002	9,868,002	9,868,002
Balance at 31st March	<u>135,077,659</u>	<u>274,439,263</u>	<u>9,868,002</u>	<u>9,868,002</u>
Market value of listed shares in overseas	<u>3,076,474</u>	<u>3,377,730</u>	<u>3,076,474</u>	<u>3,377,730</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(20) INTEREST IN OTHER INVESTMENTS (Continued)

- (a) An option was given by an investment consultant to the Group to sell its shares in an overseas listed company to the investment consultant on 31st March 1998 at a price that will equate the Group's cost of investment in the shares.

This option shall be exercisable on 1st April 1998 by giving the investment consultant's written notice upon which the investment consultant shall be obliged to complete the purchase within 60 days. Should part or whole of the Group's shares be sold on or before 31st March 1998, the Group's cost of investment in the shares shall be reduced by the proceeds of such sales accordingly.

The option was subsequently exercised on 3rd June 1997 at sale proceeds of HK\$9,889,002.

- (b) In the opinion of the directors, the underlying net assets of the Group's interest in other investments is at least equal to their carrying value at 31st March 1997.

(21) INTEREST IN A LIMITED PARTNERSHIP

	Group	
	1997	1996
	HK\$	HK\$
Share of net assets	<u>12,574,105</u>	<u>12,782,877</u>

- (a) The directors consider that the underlying net assets of the Group's interest in a limited partnership is at least equal to its carrying value at 31st March 1997.

- (b) Particulars of the limited partnership are as follows:-

Name	Place of registration	Call up capital contribution	Percentage owned by Group	Business activities
Park Avenue Court 98 Associate, L.P.	New York USA	US\$1,500,000	15%	Property investment

Park Avenue Court 98 Associate, L.P. owned 98 residential condominium units and a parking garage of the building known as The Park Avenue Court Condominium in the U.S.A.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(22) LOAN STOCK RECEIVABLE

	Company	
	1997	1996
	<i>HK\$</i>	<i>HK\$</i>
Face value, at par	536,400,000	660,992,075
<i>Less:</i> Discount received on acquisition	(118,144,838)	(145,586,879)
	<hr/>	<hr/>
Balance at 31st March	<u>418,255,162</u>	<u>515,405,196</u>

The outstanding loan stocks are issued by two subsidiary companies of the Group and are unsecured and repayable in full on 31st December 2010. Interest is payable half yearly after 31st December 1992.

The subsidiary companies may on 1st April 1993 and thereafter at any time on giving not less than 30 days prior notice in writing to stockholders to redeem at par all or any part of the stock then outstanding.

(23) PRE-OPERATING EXPENSES

	Group	
	1997	1996
	<i>HK\$</i>	<i>HK\$</i>
Cost		
Balance at 1st April	7,817,258	4,893,514
Exchange adjustment	(1,651)	6,808
On acquisition of subsidiaries	3,008,123	-
Additions during the year	10,703,589	2,362,085
Reclassified from deferred and development expenditure	-	918,973
Written off during the year	-	(364,122)
	<hr/>	<hr/>
Balance at 31st March	<u>21,527,319</u>	<u>7,817,258</u>
Accumulated amortisation		
Balance at 1st April	3,158,405	3,152,156
On acquisition of subsidiaries	2,140,037	-
Amortisation for the year	1,714,463	6,249
	<hr/>	<hr/>
Balance at 31st March	<u>7,012,905</u>	<u>3,158,405</u>
Net book value		
Balance at 31st March	<u>14,514,414</u>	<u>4,658,853</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(24) DEFERRED AND DEVELOPMENT EXPENDITURE

Group	Deferred expenditure <i>HK\$</i>	Development expenditure <i>HK\$</i>	Total <i>HK\$</i>
Cost			
Balance at 1/4/1996	7,553,301	25,328,025	32,881,326
Exchange adjustment	-	1,772,135	1,772,135
Additions for the year	1,550,204	566,660	2,116,864
Written off during the year	(547,357)	-	(547,357)
	8,556,148	27,666,820	36,222,968
Accumulated amortisation			
Balance at 1/4/1996	-	12,481,500	12,481,500
Exchange adjustment	-	907,420	907,420
Charge for the year	508,012	1,810,830	2,318,842
	508,012	15,199,750	15,707,762
Net book value			
Balance at 31/3/1997	8,048,136	12,467,070	20,515,206
Balance at 31/3/1996	7,553,301	12,846,525	20,399,826
Company			Deferred expenditure <i>HK\$</i>
Cost			
Balance at 1/4/1996			4,852,386
Additions for the year			1,550,204
Balance at 31/3/1997			6,402,590

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(25) SECURED LOANS TO CUSTOMERS

	Group	
	1997	1996
	HK\$	HK\$
Repayable:		
within 1 year	115,403,999	16,759,486
within 2-5 years	3,607,333	27,306,001
after 5 years	-	20,837,770
	<hr/> 119,011,332	<hr/> 64,903,257
<i>Less: Portion due within one year included in current assets</i>	<hr/> 115,403,999	<hr/> 16,759,486
Long term portion	<hr/> 3,607,333	<hr/> 48,143,771

(26) SHARE CAPITAL

	Company	
	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
Authorised:	<hr/> 850,000,000	<hr/> 850,000,000
Issued and fully paid:		
Balance at 1/4/1996	532,443,418	532,443,418
Issue on exercise of warrant rights	2,915,840	2,915,840
	<hr/> 535,359,258	<hr/> 535,359,258
Balance at 31/3/1997	<hr/> 535,359,258	<hr/> 535,359,258

(27) WARRANTS

A bonus issue of warrant was made on the basis of one warrant for every five ordinary shares held on 28th September 1994. Each of the warrant holders is entitled to subscribe in cash at an exercise price of HK\$4.00 each, for one ordinary share of HK\$1.00 each of the Company at any time from the date of issue to 31st December 1996.

During the year, 2,915,840 warrants were exercised and 103,988,667 warrants which were not being exercised and were expired on 31st December 1996.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(28) RESERVES

(a) Group

	Reserve/ (Goodwill) on consolidation <i>HKS</i>	Capital reduction reserve <i>HKS</i>	Share premium <i>HKS</i>	Capital redemption reserve <i>HKS</i>	Assets revaluation reserve <i>HKS</i>	Revenue reserve <i>HKS</i>	Total <i>HKS</i>
Balance at 1/4/1996	841,904	85,844,959	709,851,504	2,382,000	612,813,972	158,483,937	1,570,218,276
Premium on issuance of new shares upon exercise of warrants	-	-	8,747,520	-	-	-	8,747,520
Surplus on revaluation of investment properties	-	-	-	-	629,738,174	-	629,738,174
Realisation on disposals transferred to profit and loss account	-	-	-	-	(222,974,236)	-	(222,974,236)
Share of surplus on revaluation of fixed assets of an associated companies	-	-	-	-	3,841,735	-	3,841,735
Reversal of revaluation reserve	-	-	-	-	(6,385,720)*	-	(6,385,720)
Goodwill on consolidation	(21,842,509)	-	-	-	-	-	(21,842,509)
Exchange differences arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	(1,118,629)	(1,118,629)
Exchange differences arising from translation of financial statements of foreign associated companies	-	-	-	-	-	(243,642)	(243,642)
Profit for the year retained	-	-	-	-	-	154,257,003	154,257,003
Appropriations	-	-	-	-	-	(69,596,704)	(69,596,704)
Balance at 31/3/1997	(21,000,605)	85,844,959	718,599,024	2,382,000	1,017,033,925	241,781,965	2,044,641,268

* This amount represents the Group's share of revaluation reserve of some investment properties owned by certain associated companies brought forward from last year. However, such associated companies become wholly owned subsidiaries during the year. As a result, the properties are now reclassified as land and buildings which are stated at acquired cost to the Group. Accordingly the revaluation surplus arising from previous revaluation is now reversed.

(b) Company

	Capital redemption reserve <i>HKS</i>	Share premium <i>HKS</i>	Contributed surplus <i>HKS</i>	Revenue reserve <i>HKS</i>	Total <i>HKS</i>
Balance at 1/4/1996	2,382,000	709,851,504	66,889,494	(30,689,128)	748,433,870
Premium on issuance of new shares upon exercise of warrants	-	8,747,520	-	-	8,747,520
Profit for the year retained	-	-	-	119,349,883	119,349,883
Appropriations	-	-	-	(69,596,704)	(69,596,704)
Balance at 31/3/1997	2,382,000	718,599,024	66,889,494	19,064,051	806,934,569

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(28) RESERVES (continued)

The reserves available for distribution to the shareholders, as calculated under the provision of the Companies Act 1981 of Bermuda, as at 31st March 1997 was HK\$85,953,545 (1996: HK\$36,200,366).

The contributed surplus represents the difference between the consolidated shareholders' fund of Parkview Property Development Limited (Formerly known as Ming Ren Investment and Enterprises Limited) as at 24th November 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date. Under the Bye-laws of the Company, distributions may be made out of contributed surplus. However, it is the intention of the directors of the Company that those amount in the contributed surplus account comprising items which would not otherwise be distributable under the generally accepted accounting principles in Hong Kong will not be distributed by the Company in future.

(29) LONG TERM LIABILITIES

	Group	
	1997	1996
	HK\$	HK\$
Secured bank loans repayable		
- more than 1 year but not exceeding 2 years	153,065,110	51,447,607
- more than 2 years but not exceeding 5 years	17,192,765	263,658,834
- over 5 years	-	33,857,261
	<hr/>	<hr/>
	170,257,875	348,963,702
Unsecured other loan repayable within 2 to 5 years	1,108,184	1,601,400
Obligation under finance leases payable		
- more than 1 year but not exceeding 5 years	1,382,234	3,088,866
Warranty	1,435,602	117,750
	<hr/>	<hr/>
	174,183,895	353,771,718
	<hr/> <hr/>	<hr/> <hr/>

The unsecured other loan is interest free.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(30) CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	1997 <i>HK\$</i>	1996 <i>HK\$</i>
Operating profit/(loss) excluding interests and dividends	209,394,991	(37,855,156)
Depreciation	15,710,208	11,996,858
(Profit) on disposal of an associated company	-	(417,688)
(Profit) on disposal of investment properties and related fixed assets	(273,706,907)	(19,777,093)
Loss on disposal of other fixed assets	1,748,635	320,583
Amortisation/Written off of pre-operating expenses	1,714,463	370,371
Amortisation/Written off of deferred and development expenditures	2,866,199	4,390,043
Written off of a property development joint venture	9,548,610	-
Decrease/(Increase) in short term investments	209,909,154	(463,271,537)
Decrease in bills receivable	-	646,230
Decrease/(Increase) in amount recoverable on contracts	12,293,850	(12,597,925)
(Increase) in accounts receivable, other receivables and prepayments	(57,132,636)	(10,833,171)
(Increase) in other deposits and temporary payments	(8,475,562)	(118,397,127)
Decrease/(Increase) in utility, other deposits and accrued income	101,891,360	(555,201)
(Increase)/Decrease in amount due from related companies	(6,528,369)	906,578
(Increase)/Decrease in inventories and work in progress	(3,992,718)	36,333,412
Decrease/(Increase) in unsecured short term loan receivables	18,097,677	(17,897,677)
(Decrease)/Increase in margin loan, secured	(82,363,393)	352,671,853
Increase in bills payable	1,873,520	-
Increase/(Decrease) in creditors, accruals and deferred income	57,978,964	(15,941,467)
Increase in payments received on account	10,175,267	47,094,175
(Decrease)/Increase in other payables	(95,355,271)	102,715,235
Increase in deposits received	15,465,911	931,779
Increase in amount due to a related company	76,201	13,462
Increase/(Decrease) in warranty	1,317,852	(185,550)
Effect of foreign exchange rate changes on net current assets	(1,375,333)	1,984,497
Net cash inflow/(outflow) from operating activities	<u>141,132,673</u>	<u>(137,354,516)</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(30) CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$	Bank loans, other loans and other financings HK\$	Minority interests HK\$	1997 HK\$	1996 HK\$
Balance at 1st April	1,242,294,922	456,954,119	-	1,699,249,041	1,503,336,952
Issue of new shares on exercise of warrant rights	11,663,360	-	-	11,663,360	-
Repurchase of own shares	-	-	-	-	(1,119,104)
Net bank loans (repaid)/obtained	-	(291,117,794)	-	(291,117,794)	259,353,976
Net finance leases (repaid)	-	(1,612,111)	-	(1,612,111)	(846,696)
Net other loans (repaid)	-	(591,292)	-	(591,292)	(60,584,836)
Net reduction in advances from a minority shareholder	-	-	(3,575,749)	(3,575,749)	-
Net cash (outflow)/inflow from financing	11,663,360	(293,321,197)	(3,575,749)	(285,233,586)	196,803,340
On acquisition of subsidiaries	-	34,709,363	88,323,368	123,032,731	-
Premium on shares repurchased	-	-	-	-	555,104
Exchange translation difference	-	1,469,842	47,935	1,517,777	(1,446,355)
	11,663,360	(257,141,992)	84,795,554	(160,683,078)	195,912,089
Balance at 31st March	1,253,958,282	199,812,127	84,795,554	1,538,565,963	1,699,249,041

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(30) CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	1997 <i>HK\$</i>	1996 <i>HK\$</i>
Cash and bank balances	1,554,249	-
Accounts receivable	3,083,106	-
Deposits and prepayments	95,596,145	-
Inventories	21,017,645	-
Tax recoverable	3,501	-
Property under development	142,621,698	-
Pre-operating expenses	868,086	-
Interest in associated companies	12,324,580	-
Fixed assets	50,420,088	694,896
Bank overdraft	(5,693,544)	-
Bank loan secured	(34,709,363)	-
Bills payable	(73,562)	-
Accounts payable and accruals	(1,764,260)	(986,243)
Other payables	(1,257,459)	-
Deposits received	(19,874,374)	-
Minority interest	(15,677,749)	-
Amount due to a minority shareholder	(72,645,619)	-
	<hr/>	<hr/>
Assets acquired	175,793,168	(291,347)
Interest in the acquired companies originally held by the Group	(137,954,484)	-
	<hr/>	<hr/>
	37,838,684	(291,347)
Goodwill on consolidation	21,842,509	291,347
	<hr/>	<hr/>
	59,681,193	-
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Net cash consideration	59,681,193	-
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year contributed HK\$140,941,236 to the Group's net operating cashflow and utilised HK\$170,853,938 for investing activities.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(30) CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	1997	1996
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	59,681,193	-
Cash and bank balances acquired	(1,554,249)	-
Bank overdrafts acquired	5,693,544	-
	63,820,488	-
	63,820,488	-

(e) Analysis of the balances of cash and cash equivalents

	1997	1996
	<i>HK\$</i>	<i>HK\$</i>
Cash and bank balances	45,358,632	39,194,594
Bank overdrafts	(44,278,708)	(11,328,196)
	1,079,924	27,866,398
	1,079,924	27,866,398

(31) COMMITMENTS

(a) Capital commitments

	Group	
	1997	1996
	<i>HK\$</i>	<i>HK\$</i>
Contracted for but not provided in the financial statements:-		
Unpaid capital contributions		
- subsidiaries	14,658,625	64,903,625
- associated companies	24,985,714	-
Acquisition cost on a land and building	98,371,980	98,371,980
Others	4,000,000	4,500,000
	142,016,319	167,775,605
	142,016,319	167,775,605

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(31) COMMITMENTS (Continued)

(b) Lease commitments

	Group		1996	
	1997	1997	Land and buildings	Others
	Land and buildings	Others	Land and buildings	Others
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Annual commitment under operating leases to be payable within next year:-				
- expiring in the first year	752,976	25,186	6,415,175	153,075
- expiring in second to fifth year	4,398,426	239,267	3,622,080	153,075
- expiring after the fifth year	-	12,593	777,150	11,775
	<u>5,151,402</u>	<u>277,046</u>	<u>10,814,405</u>	<u>317,925</u>

(32) PENSION SCHEMES

No formal retirement or pension plan has been established for the employees of the Company and its subsidiaries other than those mentioned below.

The Group's subsidiaries in United Kingdom operate a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, being invested with managed funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the subsidiaries. The contributions are determined by a professionally qualified independent actuary on the basis of triennial valuation using the projected unit method.

The pension charge for the year was HK\$2,759,071 (1996: HK\$2,587,346) excluding additional contributions.

The most recent valuation was at 1st April 1996. This indicated that an actuarial surplus of HK\$1,788,206 (£142,000). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum. No allowance was made for present and future pensions increase.

The most recent actuarial valuation showed that the market value of the scheme's assets was HK\$41,628,894 (£3,305,717) and that the actuarial value of those assets represented 105% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the subsidiaries and employees of the subsidiaries will be 11.4% and 4% of earnings respectively.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(33) CONTINGENT LIABILITIES

	Group		Company	
	1997	1996	1997	1996
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Corporate guarantee given to banks in respect of banking facilities utilised by				
- subsidiaries	-	-	182,665,419	403,357,125
- associated companies	593,229,436	491,843,195	593,229,436	491,843,195
- a limited partnership	23,039,265	23,039,265	23,039,265	23,039,265
- third parties	3,500,000	3,500,000	3,500,000	3,500,000
	619,768,701	518,382,460	802,434,120	921,739,585
Less: Counter indemnity in respect of banking facilities utilised by an associated company	(207,581,385)	(162,303,473)	(207,581,384)	(162,303,473)
	412,187,316	356,078,987	594,852,736	759,436,112
Performance bonds and advance payment guarantee	85,774,373	66,103,249	-	-
	497,961,689	422,182,236	594,852,736	759,436,112

(34) PLEDGE OF ASSETS

The general banking facilities granted by bankers and term loan facilities granted by syndicate of banks to the Group and certain associated companies are secured by the following:-

- (a) All of the investment properties owned by the Group.
- (b) The assignment of earnings of the mortgaged investment properties from both rental and disposal proceeds.
- (c) Legal charge of a vessel owned by the Group.
- (d) The assignment of charter party and earnings of the vessel.
- (e) All the issued shares of two subsidiaries which are engaged in property investment and as a vessel owner respectively and of two associated companies which are engaged in property development.
- (f) Land and buildings of net book value HK\$46,547,669 located in Hong Kong.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(34) PLEDGE OF ASSETS (Continued)

- (g) Legal charge over a freehold property located in United Kingdom.
- (h) Floating charge over all of the assets of a sub-group of companies (FBM Group) in United Kingdom.
- (i) Short term investments with a carrying value of HK\$270,715,478 and other deposits of HK\$69,341,387 were pledged for margin loan facilities.
- (j) Debenture on part of assets of a subsidiary in Hong Kong.

(35) ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Kompass International Limited, a company incorporated in the British Virgin Islands.

(36) POST BALANCE SHEET DATE EVENT

In January 1997, one subsidiary of the Group, Poplin Assets Limited entered into a sale and purchase agreement with a purchaser for the sale of one unit of Tower 12 at Hong Kong Parkview for a consideration of HK\$40,550,000, resulting in a gross profit on disposal of about HK\$30 million. Sale of the unit was completed in May 1997.

(37) COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(38) PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the subsidiaries which principally affect the results or net 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	Place/ Country of incorporation	Class of shares	Issued share capital/capital contribution	Percentage of equity interest held		Principal activities
				Directly	Indirectly	
Parkview Property Development Limited (formerly known as Ming Ren Investment & Enterprises Limited)	Hong Kong	Ordinary	HK\$1,000	100%	-	Investment holding and capital market investment
Parkview Management Services Limited (formerly known as Parkview Holdings Limited)	British Virgin Islands	Ordinary	US\$4	100%	-	Investment holding
Chyau Fwu Investment Limited	Hong Kong	Ordinary Non-voting deferred	HK\$10 HK\$8,500,000	-	100%	Property investment
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK\$10,000,000	-	100%	Investment holding
Parkview Transportation Limited	British Virgin Islands	Ordinary	US\$1	100%	-	Investment holding
Parkview International Trading Limited	British Virgin Islands	Ordinary	US\$1	100%	-	Investment holding
Kelford Assets Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Property investment
Poplin Assets Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Property investment
Pollex Limited	Hong Kong	Ordinary Non-voting deferred	HK\$10 HK\$10,000	-	100%	Property investment

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(38) PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place/ Country of incorporation	Class of shares	Issued share capital/capital contribution	Percentage of equity interest held		Principal activities
				Directly	Indirectly	
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK\$2	-	100%	Personnel management
Gallaria Furnishings International Limited	Hong Kong	Ordinary	HK\$2,000,020	-	100%	General trading
Hong Kong Parkview (Finance) Limited	Hong Kong	Ordinary	HK\$2	100%	-	Refinancing and money lending
Target Profits Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Perfect Lane Limited	Hong Kong	Ordinary	HK\$2	-	100%	Property investment
P & P International Architectural Services Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Provision of architectural services
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK\$2	-	100%	Investment holding
Shanghai Parkview Ltd. (Note e)	People's Republic of China	N/A	US\$10,000,000	-	100%	Property investment
Parkview Hotels & Resorts Limited (Note b)	British Virgin Islands	Ordinary	US\$100	55%	-	Hotel management
Jiangsu Parkview Hotels & Resorts Limited (Note e)	British Virgin Islands	Ordinary	US\$1	-	100%	Hotel management
Parkview Hotels (Management) Limited	British Virgin Islands	Ordinary	US\$1	-	55%	Provision of management services
Bingo Trading Limited	Hong Kong	Ordinary	HK\$2	-	100%	Holding of vehicles
Camus Management Limited	Hong Kong	Ordinary	HK\$2	-	100%	Holding of vehicles and vehicle registration marks

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(38) PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place/ Country of incorporation	Class of shares	Issued share capital/capital contribution	Percentage of equity interest held		Principal activities
				Directly	Indirectly	
Remus Trading Limited	Hong Kong	Ordinary	HK\$2	-	100%	Holding of vehicles and vehicle registration marks
Sandiron Holdings Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Holding of club membership
Hong Kong Parkview Management Services Limited	Hong Kong	Ordinary	HK\$750	-	100%	Provision of management services
Parkview International Properties Limited (formerly known as Grandway Assets Limited)	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Scenic View Investments Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Mittor Limited (<i>Note b</i>)	British Virgin Islands	Ordinary	US\$1	-	100%	Refinancing
Kaywood Enterprises, Inc. (<i>Note b</i>)	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Hotel 57 Corp II, Inc. (<i>Notes a & d</i>)	United States of America	Common stock	US\$1	-	100%	Investment holding
P.V.B.W. Hotel Inc. (<i>Notes a & d</i>)	United States of America	Common stock	US\$1	-	100%	Investment holding
PV Park Avenue Corp (<i>Notes a & d</i>)	United States of America	Ordinary	US\$1	-	100%	Investment in a limited partnership
Charming Garden Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Dragon Spirit Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Shanghai Qiao-Yi Real Estate Co., Ltd. (<i>Note e</i>)	People's Republic of China	N/A	US\$10,000,000	-	80%	Property development

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(38) PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place/ Country of incorporation	Class of shares	Issued share capital/capital contribution	Percentage of equity interest held		Principal activities
				Directly	Indirectly	
Newmeadow Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Wyoming Enterprises Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Hong Kong Parkview Development (Beihai) Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Parkview (Beihai) Property Development Limited (Notes a & e)	People's Republic of China	N/A	US\$292,650	-	100%	Property investment
Multi Gain Management Limited	Hong Kong	Ordinary	HK\$2	-	100%	Investment holding
FBM Marine International Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
FBM Marine Holdings (UK) Limited (Notes a & c)	United Kingdom	Ordinary	GBP1,255,020	-	100%	Investment holding
FBM Marine Limited (Notes a & c)	United Kingdom	Ordinary	GBP921,957	-	100%	Ship building and marine engineering
FBM Marine (Land) Limited (Notes a & c)	United Kingdom	Ordinary	GBP1	-	100%	Property investment
FBM Indonesia Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
FBMI (JV) Limited (formerly known as CTS-Parkview (JV) Limited)	Hong Kong	Ordinary	HK\$2	-	100%	Investment holding
Laisee Holdings Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Fairey Brooke Marine Designs N.V. (Notes a & b)	Netherlands Antilles	Ordinary	US\$6,000	-	100%	Investment holding
Cost Plus Investments Limited (Note b)	British Virgin Islands	Ordinary	US\$1	-	100%	Vessel owner

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(38) PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name	Place/ Country of incorporation	Class of shares	Issued share capital/capital contribution	Percentage of equity interest held		Principal activities
				Directly	Indirectly	
Korean International Motors Limited	Hong Kong	Ordinary	HK\$1,000	-	100%	Motor vehicle trading
Country Star Services Limited	Hong Kong	Ordinary	HK\$2	-	100%	Property investment
Masterpiece Limited	Hong Kong	Ordinary	HK\$2	-	100%	Property investment

Notes:

- (a) These companies are not audited by Kwan Wong Tan & Fong.
- (b) Operating internationally.
- (c) Operating in United Kingdom.
- (d) Operating in United States of America.
- (e) Operating in People's Republic of China.

(39) PARTICULARS OF THE PRINCIPAL ASSOCIATED COMPANIES

The following list contains only the particulars of the associated companies which principally affect the results or net assets of the Group as the directors are of the opinion that a complete list of all the associated companies will be of excessive length.

Name	Place/ Country of incorporation	Nominal value of issued ordinary share capital/capital contribution	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
CTS-Parkview Holdings Limited	British Virgin Islands	US\$2	50%	-	Investment holding
Hong Kong Parkview Ferry Services Limited	Hong Kong	HK\$2	-	50%	Passenger transportation
Hong Kong Parkview Ferry Services (Macau) Limited	Hong Kong	HK\$2	-	50%	Passenger transportation
Gatx Investments Limited	Hong Kong	HK\$2	-	50%	Investment holding
Hong Kong Macao Hydrofoil Company Limited	Hong Kong	HK\$10,000,000	-	50%	Passenger transportation

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(39) PARTICULARS OF THE PRINCIPAL ASSOCIATED COMPANIES (Continued)

Name	Place/ Country of incorporation	Nominal value of issued ordinary share capital/ capital contribution	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
CTS-Parkview Ferry Services Limited	Hong Kong	HK\$2	-	50%	Provision of ship management services
CTS-Parkview Shipyard Limited	Hong Kong	HK\$2	-	50%	Shipyard operation
Tri-Cat (No. 1) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 2) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 3) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 4) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 5) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 6) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 7) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 8) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 9) Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Tri-Cat (No. 10) Limited	British Virgin Islands	US\$1	-	50%	Shipowner

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(39) PARTICULARS OF THE PRINCIPAL ASSOCIATED COMPANIES (Continued)

Name	Place/ Country of incorporation	Nominal value of issued ordinary share capital/ capital contribution	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
Woolaston Holdings Limited	British Virgin Islands	US\$2	-	50%	Shipowner
Universal MK IV Limited	British Virgin Islands	US\$1	-	50%	Shipowner
Universal MK V Limited	British Virgin Islands	US\$1	-	50%	Shipowner
FBV Designs Limited <i>(Note)</i>	United Kingdom	GBP1	-	50%	Marine Design
China Garden Limited	British Virgin Islands	US\$30	-	50%	Investment holding
CTS-Telecommunications Limited	Hong Kong	HK\$2	-	50%	Investment holding
Nanjiang Dingshan Garden Hotel Co. Ltd. <i>(Note)</i>	People's Republic of China	US\$25,600,000	-	45%	Hotel business
ACO Port Services, Inc. <i>(Note)</i>	Philippines	P62,500	-	50%	Investment holding
Universal Aboitiz Inc. <i>(Note)</i>	Philippines	P21,187,500	-	48%	Investment holding and passenger vessel transportation
FBM Aboitiz Marine, Inc. <i>(Note)</i>	Philippines	P78,500,000	-	50%	Ship building and marine engineering
UAI Super Terminals Inc. <i>(Note)</i>	Philippines	P1,000,000	-	50%	Holding of a ferry terminal in progress
Eagle Capital Investment Limited	British Virgin Islands	US\$3	-	33.33%	Investment holding

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1997

(39) PARTICULARS OF THE PRINCIPAL ASSOCIATED COMPANIES (Continued)

Name	Place/ Country of incorporation	Nominal value of issued ordinary share capital/ capital contribution	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
Capital Well Holdings Limited	British Virgin Islands	US\$1	-	33.33%	Investment holding
CPL Investments Limited	Hong Kong	HK\$2	-	33.33%	Property development
Luckyfield Holdings Limited	Hong Kong	HK\$10	-	50%	Property development
Blue Chip Investments Limited (<i>Note</i>)	Hong Kong	HK\$5,000,000	-	50%	Operation of restaurant
Chyau Fwu International Cargo Limited	British Virgin Islands	US\$2	-	50%	Investment holding

Note:

These companies are not audited by Kwan Wong Tan & Fong.

(40) APPROVAL OF ACCOUNTS

The accounts on pages 21 to 60 were approved by the Board of Directors on 22nd July 1997.

SCHEDULE OF PROPERTIES FOR INVESTMENT

FOR THE YEAR ENDED 31ST MARCH 1997

	Type of property	Gross floor area (sq. feet)	Group's interest	Lease term
Hong Kong Parkview No. 65 and No. 67 on 1st Floor of Tower 11	Residential	5,213	100%	Long
Hong Kong Parkview No. 69 on 1st-3rd, 5th, 7th-9th, 16th, 19th, 21st-23rd Floors and No. 71 on 1st, 3rd, 5th, 6th, 9th, 10th, 15th-20th, 22nd, 23rd Floor and portion of roof of Tower 12	Residential	72,640	100%	Long
11th Floor, World-wide House No. 19 Des Voeux Road Central, Central, Hong Kong	Office	16,693	100%	Long

FIVE YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31ST MARCH 1997

	1993 <i>HK\$</i>	1994 <i>HK\$</i>	1995 <i>HK\$</i>	1996 <i>HK\$</i>	1997 <i>HK\$</i>
Consolidated results					
Turnover	391,416,905	1,358,219,313	813,242,175	556,168,938	797,867,882
Profit/(loss) attributable to shareholders	(25,528,513)	303,103,176	76,602,004	(48,216,335)	154,257,003
Earnings/(loss) per share	<u>(11.71 cents)</u>	<u>62.86 cents</u>	<u>14.33 cents</u>	<u>(9.05 cents)</u>	<u>28.93 cents</u>
Consolidated assets and liabilities					
Total assets	2,045,921,153	2,725,317,763	2,653,133,031	3,210,236,386	3,565,612,922
Total liabilities	524,959,453	407,504,891	423,018,784	1,107,574,692	985,612,396
Shareholders' funds	<u>1,520,961,700</u>	<u>2,317,812,872</u>	<u>2,230,114,247</u>	<u>2,102,661,694</u>	<u>2,580,000,526</u>