



THE
HONG KONG PARKVIEW
GROUP LTD.

僑福建設企業機構

ANNUAL REPORT 1997-1998

一九九七至九八年度年報

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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 28 September 1998 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 31 March 1998.
2. To elect Directors and fix their remuneration.
3. To appoint Auditors and authorise the Directors to fix their remuneration.
4. 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
- (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;

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.

“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;
- (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.”

NOTICE OF ANNUAL GENERAL MEETING

(Continued)

- (C) “THAT the general mandate granted to the Directors to issue and dispose of additional ordinary shares pursuant to resolution numbered 4(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 4(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, 20 August 1998

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) An explanatory statement containing further details regarding resolution no. 4(B) will be sent to shareholders together with the 1998 Annual Report.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the 1997/98 Annual Report to the Shareholders.

RESULTS

The Group's audited result for the financial year ended 31 March 1998 was a loss of HK\$49,782,348 compared to a profit of HK\$154,257,003 for the previous year.

FINAL DIVIDEND

The Directors do not recommend a final dividend for the year ended 31 March 1998.

REVIEW OF OPERATIONS AND PROSPECTS

The recent Asian economic turmoil has triggered serious and drastic downturn in the economic situation in Hong Kong, which has seen one of the worst contractions in the property market, among others, in Hong Kong's history. The Hong Kong Parkview Group Ltd., despite its consistently prudent strategies, has also been adversely affected, suffering a loss of HK\$49,782,348 for the financial year ended 31 March 1998 versus a profit of HK\$154,257,003 in the preceding year. Turnover of the Group for the 97/98 financial year amounted to HK\$849 million.

One of the main causes of the Group's loss is the sluggish property sales and softening rental market across all segments of the property market in the period. This has seriously affected the sale and rental income of the Group's investment properties. The Group's Tycoon Place project, a luxurious residential development in Taipo recently completed and currently being marketed, did not attract the expected appeal due to the aforesaid adverse market conditions. Consequently, its originally anticipated positive contribution to the Group's result has yet to materialize. The situation was further compounded by the high interest costs triggered by speculation on the Hong Kong dollar during the Asian economic crisis. All this has led to significant drop in value of some of the investments in Asia.

By comparison, the Group's property development projects outside Hong Kong have fared steadily. Both sales and letting of the Shanghai Garden apartments in Shanghai have been progressing according to plan. Ding Shan Hotel and serviced apartments in Nanjing also produced steady result in the financial year. Overseas investments comprising mainly several high grade hotels have produced satisfactory results and are expected to continue to do so in the coming periods.

The Group's high speed ferry operation in Hong Kong has significantly enhanced its competitive edge with the use of its modern fleet of vessels, translating into increased market share in its Hong Kong/Macau route. It is believed that the operation will soon become a major income generating asset for the Group. In the Philippines, the Group's ferry and shipbuilding operations stayed virtually unscathed from the drastic devaluation of the country's currency, thanks to the Group's decision taken a few years ago to fully hedge the operations' currency exposure. The Group's ferry operation has become a dominant operator in the country. With the disappearance of several competing operators who were forced out of the market by fierce competition, the Group's dominance is further bolstered and therefore is expected to make a positive contribution in the near future.

CHAIRMAN'S STATEMENT

(Continued)

Nevertheless, with the economic downturn still continuing in the region and showing no signs of retreat, most analysts project that a stagnant period will persist for a long period before a recovery can be seen. Against this background, the Group will continue to take a prudent and conservative approach in steering the Group into the future. Steps are being taken to control the Group's operating costs in order to further enhance its competitiveness. Coupled with its diversified portfolio of assets, the Group should be capable of riding out the storm and consolidating and capitalizing on its strength for the years to come when hopefully the market will return to stability and reopen itself for business opportunities.

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

Wong Kin Wah, George
Chairman

Hong Kong, 20 August 1998

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The Group's turnover for the financial year ended 31 March 1998 amounted to HK\$849,217,209. Loss attributable to the shareholders for the year totalled HK\$49,782,348, which is mainly attributable to lower income from property sales.

PROPERTY AND HOSPITALITY DIVISION

Hong Kong Parkview

The Group's investment properties at Hong Kong Parkview registered steady sale and rental income and high occupancy level during the first half of the financial year but started to deteriorate in the second half when the Asian economic crisis triggered drastic downturn in Hong Kong's economic situation. The serviced apartments and the clubhouse of the Hong Kong Parkview, which is under the Group's management, has also been adversely affected.

Tycoon Place, Tai Po, Hong Kong

The luxurious residential development project, of which the Group has a one third interest, was recently completed and is being marketed for sales and leasing. However, the property market has been seriously affected by the economic downturn, resulting in very sluggish sales and leasing being achieved for the project.

Fuk Kwan Avenue Development, Tai Hang, Hong Kong

Foundation work for this residential project has been completed and building work for the superstructure will begin upon the approval by the authorities of the final plan. Completion is scheduled by the end of 1999.

Dingshan Garden Hotel, Nanjing, China

Both the 4-star hotel and the serviced apartments continued to perform well in the financial year. Construction of the 5-star hotel is in process and according to plan.

Shanghai Garden City, Shanghai, China

The project is awarded as one of the top ten residential developments in 1997 by the Shanghai City Government. Sales and leasing of these apartments have been progressing well despite the general sluggishness in the property market in Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Overseas Investments

Park Avenue Apartments, New York, USA

The bulk of the 98 residential apartments in the Park Avenue Court, of which the Group has a 15% interest, has been sold at satisfactory profit. The market in the United States is still going very strong and therefore the remaining unsold apartments are expected to receive great demand.

Beverly Wilshire Hotel, Los Angeles, USA

The hotel, in which the Group has a 10% interest, produced satisfactory result in the financial year. The expansion and renovation work for the Beverly Wing is in its advanced stage and when completed in December this year will provide additional 117 rooms/suites to bring the total rooms to 395. This expansion will definitely bring the hotel's status and profitability to a higher level.

Four Seasons Hotel, New York, USA

This super-deluxe hotel, in which the Group has a 10% interest, has out-performed all expectations and produced encouraging results in the financial period. The hotel, ranking first in New York and 11th world-wide, is achieving high occupancy at rates which are one of the highest in New York and USA.

TRANSPORT DIVISION

Ferry Operations

CTS-Parkview Holdings Ltd.

With a full fleet of 8 Tri-Cats serving the Hong Kong/Macau route, the company has increased its market share from 20% to 28% during the financial year. However the Macau market reflected a decrease of 19.6% in total flow and this decrease in traffic has cut 5% off the company's annual flow.

After a 13-month operation of the Hong Kong/Guangzhou route passenger volume continues to grow.

Meanwhile, the Hong Kong/Shenzhen route continues to produce satisfactory results in terms of passenger load and profits. Night service is expected to commence in 1999.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

The Turbo Cat fast ferry fleet is now in compliance with the International Safety Management (ISM) code. This is a standard adopted by the International Maritime Organization (IMO) for safe operation of ships and pollution prevention.

Universal Aboitiz Inc. (UAI)

UAI remains the largest fast ferry operator in the Philippines, carrying in excess of 2.8 million passengers in the year. Despite the impact of increased competition, the company flourished and is actively seeking to expand into additional routes.

Based on the success of the new ferry terminals which include retail outlets, the company will be seeking further similar facilities with the introduction of new routes.

Shipbuilding

FBM Marine Ltd. (FBM)

FBM had its best operating year for over ten years, with the successful delivery of orders to both commercial customers and the Ministry of Defence.

The company is now seeking larger facilities to both facilitate the production of its existing portfolio and also to expand into the growing market for larger fast commercial craft.

The company continues to invest a considerable portion of its income into further research and design development in order to remain competitive into the next century.

FBM Aboitiz Marine Inc.

The Group has completed the construction of its new shipyard facility in Balamban, Cebu. The state of the art yard can produce both commercial and military vessels up to 60m under cover and will shortly achieve ISO 9001 status; a qualification already held by FBM in the UK.

Although the new order status has been affected by the downturn in Asia, the Group is confident that, based on the low cost structure of this facility, further orders will be obtained. A number of opportunities in the fast ferry and small patrol craft areas are being pursued.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

STRATEGIC INVESTMENT

During the year the Group acquired a substantial shareholding in Midland Realty (Holdings) Ltd. as a strategic investment which is expected to provide synergy beneficial to both entities.

LIQUIDITY AND CAPITAL RESOURCES

Proceeds from the sale of property amounting to HK\$286 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\$92 million of which HK\$85 million were applied for investments in Hong Kong and Philippines.

EMPLOYEES

Total number of employees in the Group excluding those under the payroll of the associated companies at 31 March 1998 was 852 compared with 781 at 31 March 1997.

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 accounts.

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 37 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group turnover and contribution to Group results by principal activity and geographical location for the year ended 31 March 1998 is as follows:-

	Consolidated turnover <i>HK\$</i>	Contribution to Group results <i>HK\$</i>
By activity:-		
Trading sales	40,300,758	(5,939,482)
Ship building and marine engineering	378,295,990	(7,479,568)
Proceeds on disposal of investment properties	286,432,765	106,589,936
Management income	18,155,683	7,296,765
Rental from investment properties	48,905,089	(14,653,025)
Ship charter income	2,656,764	284,738
Investment and interest income	36,813,164	(36,964,142)
Value of contract work completed	37,656,996	242,983
	849,217,209	49,378,205
<i>Less: General and administrative expenses</i>		<i>(51,638,458)</i>
		(2,260,253)
By geographical location:-		
Hong Kong	317,671,139	52,926,696
China and South East Asia	150,107,617	9,396,180
United Kingdom and other areas	381,438,453	(12,944,671)
	849,217,209	49,378,205
<i>Less: General and administrative expenses</i>		<i>(51,638,458)</i>
		(2,260,253)

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars regarding the principal subsidiaries and associated companies are set out in note 37 and note 38 to the financial statements respectively.

DIRECTORS' REPORT

(Continued)

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 1998 are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a dividend for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out on page 70.

SHARE CAPITAL

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

RESERVES

Movements in reserves during the year are set out in note 27 to the financial statements.

TANGIBLE FIXED ASSETS

Details of the properties for investment of the Group at 31 March 1998 are set out on page 69.

Details of movements in tangible fixed assets of the Group and the Company during the year are set out in note 10 to the financial statements.

DIRECTORS

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

Wong Kin Wah, George
Hwang Yiu Hwa, Victor
Hwang Yiu Hwa, Richard
Hwang Teh Hwa, Tony
Sin Kit Leung, Peter
Chan Chi Fai, Brian
Ma Kinson, Vincent
Huang Jianquan, Stanley
Ma Chi Man

(Appointed on 12 September 1997)

(Retired on 12 September 1997)

Lau Hon Chuen, Ambrose, J.P.

In accordance with the Company's Bye-laws, Messrs. Hwang Yiu Hwa, Richard, Sin Kit Leung, Peter and Ma Kinson, Vincent shall retire from the board at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

(Continued)

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 were directors and in which they had beneficial interest.
- (i) Rentals of HK\$940,155 for car parking spaces in Hong Kong Parkview and club house subscription fee of HK\$223,283 were paid in order to provide parking and recreational club facilities to tenants of investment properties owned by Group companies.
 - (ii) The Group paid lease handling charges of aggregate amounts of HK\$783,862.
 - (iii) Rentals of HK\$1,485,000 were paid under operating leases for the provision of staff quarters at Hong Kong Parkview.
 - (iv) Sale of goods of saleable value of HK\$2,991,542.
 - (v) On 6 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 14 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 serviced 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 1 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. The detailed calculation of Operating Profit and Minimum Profit were fully described in the circular to shareholders dated 29 May 1996.

The Manager received management fee of HK\$6,737,423 during the year.

Other than as disclosed above, 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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTEREST (Continued)

- (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 46 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 Yiou Hwa, Victor, aged 44 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 43 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 42 held a Master Degree in Management and Organisational Development. He is responsible for the development of business in mainland China. He was appointed as Director in 1992.

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

Mr. Sin Kit Leung, Peter, aged 58 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.

Mr. Chan Chi Fai, Brian, aged 43 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.

DIRECTORS' REPORT

(Continued)

MANAGEMENT PROFILES (Continued)

A. Executive Directors (Continued)

Mr. Ma Kinson, Vincent, aged 52 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.

B. Non-Executive Directors

Mr. Ma Chi Man, aged 66 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 51 is the senior partner of Chu & Lau, Solicitors and Notaries. Mr. Lau is a member of the Legislative Council, the National Committee of the Chinese People's Political Consultative Conference, 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.

C. Senior Management Staff

Mr. Laurence Neil Baum, aged 44 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 51 is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants. 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 56 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 46 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.

DIRECTORS' REPORT

(Continued)

MANAGEMENT PROFILES (Continued)

C. Senior Management Staff (Continued)

Mr. Kim Gil Rae, aged 51 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.

Mr. Kwon Wonsik, aged 63 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. Ng Chan Shing, Lawrence, aged 54 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 52 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.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 1998, 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	2,000,000	–	98,000,000 (<i>Note</i>)	–

Note: These shares were held by High Return Trading Limited and in which Mr. Wong Kin Wah, George was deemed to have interests since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited. This interest had also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

DIRECTORS' REPORT

(Continued)

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Messrs. Wong Kin Wah, George, Hwang Yiu 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.

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 of the Company or their respective associates 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 SHAREHOLDERS

As at 31 March 1998, the following shareholders of the Company were 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
High Return Trading Limited	98,000,000 (<i>Note</i>)

Note: These shares represented the same parcel of shares Mr. Wong Kin Wah, George was deemed to have interests in as disclosed above in the directors' interests in the share capital of the Company since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited.

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 5 to the financial statements.

DIRECTORS' REPORT

(Continued)

BANK LOANS AND OTHER BORROWINGS

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. The repayment terms of obligation under finance leases and long-term loans respectively are set out in note 29 to the financial statements.

Interest of HK\$5,258,808 was capitalised into construction in progress by the Group during the year (1997: HK\$Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers are 7% and 33% respectively during the year.

The percentage of sales attributable to the Group's largest customer and the five largest customers are 19% and 43% 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 an interest in any of the Group's five largest customers or five largest suppliers.

CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS

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

PURCHASE, SALE OR REDEMPTION OF 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.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

The total donations made by the Group during the year ended 31 March 1998 amounted to HK\$1,141,100 (1997: HK\$231,100) for charitable and other purposes.

DIRECTORS' REPORT

(Continued)

YEAR 2000 COMPLIANCE

In assessing whether the Group's business and IT systems have followed certain rules for the Year 2000 Compliance, (viz. general integrity, date integrity, explicit/implicit century and recognition of Year 2000 as a leap year) the Group has determined that:-

- (a) the hardware platform for the business systems is already Year 2000 compliant.
- (b) new software and upgrades of the operating, management and accounting systems, which will be Year 2000 compliant, will be supplied by the vendors.
- (c) a phased programme is in place to implement full compliance by mid 1999.

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 31 March 1998, 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 EVENT

Details of significant post balance sheet event are set out in note 35 to the financial statements.

AUDITORS

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

On behalf of the Board
Wong Kin Wah, George
Chairman

Hong Kong, 20 August 1998

AUDITORS' REPORT



德勤•關黃陳方
會計師行

Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

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

We have audited the financial statements on pages 21 to 68 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 of the state of affairs of the Company and the Group as at 31 March 1998 and of the Group's loss 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 August 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1998

	<i>Notes</i>	1998 HK\$	1997 <i>HK\$</i>
TURNOVER	<i>3</i>	<u>849,217,209</u>	<u>797,867,882</u>
OPERATING (LOSS)/PROFIT	<i>4</i>	(2,260,253)	195,566,572
SHARE OF POST-ACQUISITION PROFITS LESS LOSSES OF ASSOCIATED COMPANIES		(19,192,424)	2,111,980
SHARE OF PROFIT/(LOSS) OF LIMITED PARTNERSHIPS		<u>3,530,816</u>	<u>(208,772)</u>
(LOSS)/PROFIT BEFORE TAXATION		(17,921,861)	197,469,780
TAXATION	<i>6</i>	<u>(26,984,309)</u>	<u>(43,212,777)</u>
(LOSS)/PROFIT AFTER TAXATION		(44,906,170)	154,257,003
MINORITY INTERESTS		<u>(4,876,178)</u>	<u>–</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<i>7</i>	(49,782,348)	154,257,003
DIVIDENDS	<i>8</i>	<u>–</u>	<u>(69,596,704)</u>
(LOSS)/PROFIT FOR THE YEAR RETAINED	<i>27</i>	<u>(49,782,348)</u>	<u>84,660,299</u>
(LOSS)/EARNINGS PER SHARE – BASIC	<i>9</i>	<u>(9.30 cents)</u>	<u>28.93 cents</u>

BALANCE SHEETS

AT 31 MARCH 1998

		GROUP		COMPANY	
	<i>Notes</i>	1998	1997	1998	1997
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
TANGIBLE FIXED ASSETS	10	1,071,073,701	1,573,391,106	5,878,387	6,664,123
CONSTRUCTIONS IN PROGRESS	11	1,417,956	318,594,874	-	-
VESSEL UNDER CONSTRUCTION	12	7,933,328	-	-	-
INTERESTS IN SUBSIDIARIES	13	-	-	805,382,395	698,907,671
INTERESTS IN ASSOCIATED COMPANIES	14	1,090,063,468	673,315,012	359,963,169	284,147,570
INTERESTS IN OTHER INVESTMENTS	15	114,771,334	135,077,659	-	9,868,002
INTERESTS IN LIMITED PARTNERSHIPS	16	24,851,061	12,574,105	-	-
LOAN STOCK RECEIVABLE	17	-	-	418,255,162	418,255,162
PRE-OPERATING EXPENSES DEFERRED AND DEVELOPMENT EXPENDITURE	18 19	11,160,730 14,581,533	14,514,414 20,515,206	-	6,402,590
SECURED LOANS TO CUSTOMERS	20	-	3,607,333	-	-
OTHER RECEIVABLES		17,991,051	29,435,106	1,500,000	1,500,000
NET CURRENT (LIABILITIES)/ ASSETS	21	(110,670,962)	57,955,160	3,253,328	(83,451,291)
		<u>2,243,173,200</u>	<u>2,838,979,975</u>	<u>1,597,724,623</u>	<u>1,342,293,827</u>
Represented by:					
SHARE CAPITAL	26	535,359,258	535,359,258	535,359,258	535,359,258
RESERVES	27	1,484,187,286	2,044,641,268	934,365,365	806,934,569
		2,019,546,544	2,580,000,526	1,469,724,623	1,342,293,827
MINORITY INTERESTS	28	66,948,851	84,795,554	-	-
LONG TERM LIABILITIES	29	156,677,805	174,183,895	128,000,000	-
		<u>2,243,173,200</u>	<u>2,838,979,975</u>	<u>1,597,724,623</u>	<u>1,342,293,827</u>

The financial statements on pages 21 to 68 were approved by the Board of Directors on 20 August 1998 and are signed on its behalf by:

Sin Kit Leung, Peter
Director

Chan Chi Fai, Brian
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1998

	<i>Notes</i>	1998 <i>HK\$</i>	1997 <i>HK\$</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>30(a)</i>	59,172,876	155,704,907
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(51,315,522)	(30,057,589)
Interest paid on finance leases		(212,908)	(564,895)
Dividends paid		(53,481,306)	(16,039,178)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(105,009,736)	(46,661,662)
TAXATION			
Hong Kong profits tax			
- paid		(4,063,478)	(9,438,293)
- refunded		97,731	93
Overseas taxation paid		(40,172)	-
NET CASH (OUTFLOW) FROM TAXATION		(4,005,919)	(9,438,200)
INVESTING ACTIVITIES			
Net cash outflows for acquisition of subsidiaries	<i>30(d)</i>	(3,159,654)	(63,820,488)
Purchase of, capital contributions to and advances to associated companies		(458,290,241)	(116,449,405)
Purchase of, capital contributions to and advances to other investments		-	(63,337,049)
Return of capital contribution from other investment		10,213,854	-
Repayment of advances from other investment		330,174	-
Proceeds on disposal of an associated company		8	-
Proceeds on withdrawal from a property development joint venture		-	193,205,667
Proceeds on disposal of other tangible fixed assets		1,017,750	1,346,374
Net proceeds on disposal of investment properties and related tangible fixed assets		184,570,000	464,945,273
Proceeds from disposal of other investment		9,868,002	-
Purchase of tangible fixed assets		(104,238,829)	(19,038,723)
Payments for construction in progress		(23,429,286)	(170,463,718)
Payments for vessel under construction		(7,933,328)	-
Additions to pre-operating expenses		(192,909)	(10,703,589)
Deferred and development expenditure incurred		(910,787)	(2,116,864)
Loans repaid from/(advanced to) customers		80,403,998	(54,108,075)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(311,751,248)	159,459,403
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(361,594,027)	259,064,448

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1998

	<i>Notes</i>	1998	1997
		<i>HK\$</i>	<i>HK\$</i>
FINANCING			
Issue of new shares on exercise of warrants right		-	11,663,360
Net bank loans obtained/(repaid)		407,282,599	(291,117,794)
Net finance leases (repaid)		(1,037,477)	(1,612,111)
Net other loans (repaid)		(635,530)	(591,292)
Share capital paid by minority interests		3,666	-
Net reduction in advances from minority shareholders		(26,094,908)	(3,575,749)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	<i>30(b)</i>	<u>379,518,350</u>	<u>(285,233,586)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		17,924,323	(26,169,138)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,079,924	27,866,398
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		(85,418)	(617,336)
CASH AND CASH EQUIVALENTS, END OF YEAR	<i>30(f)</i>	<u>18,918,829</u>	<u>1,079,924</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Kompass International Limited, a company incorporated in the British Virgin Islands.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary or an associated company is written off to reserves immediately on acquisition or, where appropriate, capitalised and amortised on a straight line basis over its useful economic life, not exceeding twenty years. Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration, is credited to reserves.

On disposal of a subsidiary or an associated company, the attributable amount of unamortised goodwill or goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associated company.

Turnover

Turnover represents proceeds on disposal of properties, rental from investment properties, charter hire income from vessels, gross proceeds from trading sales, management fee income, interest income and other investment income, shipbuilding and marine engineering income and value of contract work completed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of income

Profit on disposal of investment properties is recognised when title has passed.

Rental income and charter hire income are credited to profit and loss account on a straight line basis over the rental and charter hire agreement terms.

Trading sales are recognised when the goods are delivered and title has passed.

Income on long term contracts is recognised by reference to the value of work carried out during the year.

Management fee income is recognised when services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Tangible fixed assets and depreciation

Tangible fixed assets, other than investment properties, are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the tangible fixed asset, the expenditure is capitalised as an additional cost of the tangible fixed assets.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Depreciation is provided to write off the cost of tangible fixed assets, other than investment properties, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land	
– Long lease in Hong Kong	Over the term of the lease
– Freehold outside Hong Kong	Nil
Buildings	Over the shorter of the lease term, or 20 years
Vessels	Over the remaining useful life of 20 years starting from the vessel being put to service
Machinery, equipment and motor vehicles	5% – 33 $\frac{1}{3}$ %
Furniture and fixtures	2% – 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 over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Where, in the opinions of the directors, the recoverable amounts of tangible fixed assets have declined below their carrying amount, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. In determining the recoverable amounts of tangible fixed assets, expected future cash flows have not been discounted to their present values.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the assets revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the assets revaluation reserve is charged to profit and loss account.

On disposal of an investment property, the balance on the assets revaluation reserve attributable to that property is transferred to profit and loss account.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Investments in associated companies

An associated company is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in management, including participation in commercial and financial policy decisions.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associated companies for the year. In the consolidated balance sheet, investments in associated companies are stated at the Group's share of the net assets of the associated companies and the premium paid on acquisition in so far as it has not already been written off or amortised.

The results of associated companies are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value.

Investments

Long-term investments are stated at cost less provision, if necessary, for any permanent diminution in value.

Short-term unlisted investments are stated at the lower of cost and net realisable value.

Listed investments held for short-term trading purposes are stated at the lower of cost and market value.

Interests in limited partnerships

Interests in limited partnerships are accounted for under the equity method of accounting in the subsidiary's financial statements and in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

Construction in progress represents land cost, other construction costs and borrowing costs incurred for existing and future construction projects and are stated at cost less provision for permanent diminution in value. The amount will be transferred to tangible fixed assets on completion or written off once the projects are abandoned.

Vessels under construction

Vessels under construction are stated at cost. The costs comprise the progressive payments for materials, labour cost and borrowing costs. The amount will be transferred to tangible fixed assets on receipt of approval for navigation from relevant governments.

Pre-operating expenses

Pre-operating expenses are those costs incurred in the period prior to the commencement of the commercial operation of a new business. Such expenses are deferred where they are directly related to placing the new business into commercial operation, and to the extent that they are expected to be recovered from future revenues. The expenditure is charged to the profit and loss account, on a straight line basis, over a period of five years from the date of commencement of full operations.

Deferred and development expenditures

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 the design 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.

Stocks and work in progress and payments received on account

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to its present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the expected selling price less all costs to completion and costs to be incurred in selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stocks and work in progress and payments received on account (Continued)

Long term contract work in progress is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overheads attributable to bringing the work in progress to its present location and condition. For contracts where progress payments received and receivable exceed costs incurred to date plus estimated attributable profits less foreseeable losses, the surplus is shown as payments received on account and is shown as a current liability.

Estimated attributable profit is recognised on the basis of work done when contracts have progressed to the point where a profitable outcome can prudently be foreseen. Anticipated losses are fully provided for on contracts when they are identified.

Government grants

Government grants that relate to specific long-term contracts are treated as deferred credits and included in 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 work done.

Pension scheme costs

The Group's subsidiaries in the 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 Group will benefit from the employees' services.

The contributions payable under a subsidiary's retirement fund are charged to the profit and loss account. Further information is set out in note 32(b) to the financial statements.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated at rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserve.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The principal portion of the corresponding leasing commitments is shown as obligations of the Group. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are credited and charged to the profit and loss account on a straight line basis over the lease terms.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

3. TURNOVER

	Group	
	1998	1997
	HK\$	HK\$
Proceeds on disposal of investment properties	286,432,765	469,207,750
Rental from investment properties	48,905,089	50,472,168
Trading sales	40,300,758	33,836,394
Shipbuilding and marine engineering	378,295,990	216,413,165
Management income	18,155,683	9,427,196
Ship charter income	2,656,764	2,799,800
Investment and interest income	36,813,164	15,711,409
Value of contract work completed	37,656,996	—
	<u>849,217,209</u>	<u>797,867,882</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

4. OPERATING (LOSS)/PROFIT

	Group	
	1998	1997
	HK\$	HK\$
Operating (loss)/profit has been arrived at after charging:-		
Interest on bank loans, other loans and overdrafts repayable within 5 years	55,590,158	28,974,933
Interest on finance leases	212,908	564,895
Interest capitalised into constructions in progress	(5,258,808)	-
	50,544,258	29,539,828
Depreciation		
- on assets held under finance leases	-	1,310,734
- on owned tangible fixed assets	12,426,859	12,559,389
- on assets held in use under operating lease	1,671,410	1,840,085
	14,098,269	15,710,208
Write off/Amortisation of pre-operating expenses	3,545,424	1,714,463
Write off/Amortisation of deferred and development expenditures	7,217,691	2,866,199
Amortisation of premium on acquisition of an associated company	18,310,431	-
Rental under operating leases		
- on land and buildings	9,821,325	15,145,644
- on plant and machinery	583,650	702,160
Auditors' remuneration		
- current year audit	1,315,780	1,168,624
- (over) provision in prior years	-	(68,000)
	1,315,780	1,100,624
Loss on disposal of short term investments	-	17,511,300
Provision for diminution in value of short term investments	34,365,717	14,750,471
Write off of a property development joint venture	-	9,548,610
Loss on disposal of other tangible fixed assets	111,422	1,748,635
Exchange loss	2,477,926	1,823,260
Pension scheme and retirement fund contributions	3,562,193	2,759,071
and after crediting:		
Property rental income arising from operating leases less out-goings	48,556,504	47,642,635
Dividends from listed investments	5,110,092	1,695,136
Dividends from unlisted investments	176,550	160,500
Gain on disposal of short term investments	9,060,726	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

5. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

	Group	
	1998	1997
	HK\$	HK\$
Directors' emoluments		
Fees	-	-
Other emoluments:		
- salaries and other benefits	<u>2,520,000</u>	<u>4,104,095</u>
Total emoluments	<u>2,520,000</u>	<u>4,104,095</u>

No emoluments have been paid to the independent non-executive directors during the year (1997: Nil).

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

	Group	
	1998	1997
	No. of directors	
HK\$0 - HK\$1,000,000	9	9
HK\$1,000,001 - HK\$1,500,000	1	-
	<u>10</u>	<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

5. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (Continued)

Five Highest Paid Employees

The five highest paid employees in 1998 include two directors (1997: Nil), details of whose emoluments are disclosed above. The three (1997: five) non-director emoluments are analysed and fall within the bands set out below:-

	Group	
	1998	1997
	HK\$	HK\$
Salaries and other emoluments	<u>5,040,000</u>	<u>7,433,044</u>

	Group	
	1998	1997
	No. of employees	
HK\$1,000,001 – HK\$1,500,000	2	3
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	1
	<u>3</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (1997: 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	
	1998	1997
	HK\$	HK\$
Company and subsidiaries		
Hong Kong profits tax	19,038,800	41,476,092
Overseas taxation	6,985,722	252,898
Associated companies		
Hong Kong profits tax	1,142,282	1,441,931
Overseas taxation	-	(28,039)
Deferred taxation	(182,495)	69,895
	<u>26,984,309</u>	<u>43,212,777</u>

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

7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the (loss)/profit attributable to shareholders, profit of HK\$127,430,796 (1997: profit of HK\$119,349,883) is dealt with in the profit and loss account of the Company.

8. DIVIDENDS

	Group	
	1998	1997
	HK\$	HK\$
Interim dividend of Nil cents per share paid (1997: 3 cents)	-	16,060,778
Proposed final dividend of Nil cents per share (1997: 10 cents)	-	53,535,926
	<u>-</u>	<u>69,596,704</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

9. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the consolidated loss for the year of HK\$49,782,348 (1997: profit of HK\$154,257,003) and on the weighted average number of 535,359,258 (1997: 533,153,681) ordinary shares in issue during the year.

10. TANGIBLE FIXED ASSETS

Group	Investment properties in Hong Kong under long lease <i>HK\$</i>	Land and buildings <i>HK\$</i>	Vessels <i>HK\$</i>	Machinery, equipment and motor vehicles <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Leasehold improve- ments <i>HK\$</i>	Motor vehicle registration marks <i>HK\$</i>	Total <i>HK\$</i>
COST OR VALUATION								
Balance at 1/4/1997	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
Exchange adjustment	-	974,585	-	1,109,015	530	99,905	-	2,184,035
On acquisitions of subsidiaries	-	-	-	-	176,343	-	-	176,343
On disposal of a subsidiary	-	-	-	(259,068)	-	-	(80,000)	(339,068)
Additions during the year	79,420,800	3,293,952	-	7,319,671	11,511,261	2,693,145	-	104,238,829
Disposals during the year	(181,466,377)	-	-	(1,212,467)	(124,496)	(2,789,757)	-	(185,593,097)
Reclassification	39,902,759	(40,614,280)	-	-	-	-	-	(711,521)
Deficit on revaluation	(410,857,182)	-	-	-	-	-	-	(410,857,182)
Balance at 31/3/1998	976,000,000	36,822,764	33,428,210	55,893,922	16,642,456	16,909,381	1,625,000	1,137,321,733
Comprising:								
At cost:	-	36,822,764	33,428,210	55,893,922	16,642,456	16,909,381	1,625,000	161,321,733
At valuation in 1998	976,000,000	-	-	-	-	-	-	976,000,000
	976,000,000	36,822,764	33,428,210	55,893,922	16,642,456	16,909,381	1,625,000	1,137,321,733
ACCUMULATED DEPRECIATION								
Balance at 1/4/1997	-	8,477,343	2,453,447	31,218,111	3,234,801	9,448,586	-	54,832,288
Exchange adjustment	-	236,878	-	769,246	134	84,327	-	1,090,585
On acquisition of subsidiaries	-	-	-	-	35,268	-	-	35,268
On disposal of subsidiary	-	-	-	(99,309)	-	-	-	(99,309)
Charge for the year	-	1,296,790	1,671,410	7,121,700	1,250,333	2,758,036	-	14,098,269
Written back on disposal	-	-	-	(573,240)	(41,863)	(2,382,445)	-	(2,997,548)
Reclassification to investment properties	-	(711,521)	-	-	-	-	-	(711,521)
Balance at 31/3/1998	-	9,299,490	4,124,857	38,436,508	4,478,673	9,908,504	-	66,248,032
NET BOOK VALUES								
Balance at 31/3/1998	976,000,000	27,523,274	29,303,353	17,457,414	12,163,783	7,000,877	1,625,000	1,071,073,701
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

Notes:

- (a) The investment properties of the Group at 31 March 1998 were revalued at HK\$976,000,000 (1997: HK\$1,449,000,000) by AA Property Services Limited, an independent professional valuer, on open market value basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

10. TANGIBLE FIXED ASSETS (Continued)

(b) Land and buildings

	1998 <i>HK\$</i>	1997 <i>HK\$</i>
Land		
– Long lease in Hong Kong	–	30,729,280
– Freehold outside Hong Kong	26,289,976	23,926,700
	26,289,976	54,655,980
Buildings		
– in Hong Kong	–	9,885,000
– outside Hong Kong	10,532,788	8,627,527
	10,532,788	18,512,527
	36,822,764	73,168,507

(c) The net book value of machinery, equipment and motor vehicles held under finance leases amounts to HK\$3,622,727 (1997: HK\$3,425,420).

(d) Tangible fixed assets of the Group include cost or valuation of HK\$1,009,428,210 (1997: HK\$1,482,428,210) and accumulated depreciation of HK\$4,124,857 (1997: HK\$2,453,447) in respect of assets held for use under operating leases during the year.

	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 1/4/1997	4,728,159	522,322	3,126,062	65,000	8,441,543
Additions during the year	613,666	277,740	359,924	–	1,251,330
Disposals during the year	–	(41,483)	(53,461)	–	(94,944)
Balance at 31/3/1998	5,341,825	758,579	3,432,525	65,000	9,597,929
ACCUMULATED DEPRECIATION					
Balance at 1/4/1997	412,194	83,714	1,254,845	26,667	1,777,420
Charge for the year	1,074,760	146,850	745,377	20,000	1,986,987
Write back on disposals	–	(19,253)	(25,612)	–	(44,865)
Balance at 31/3/1998	1,486,954	211,311	1,974,610	46,667	3,719,542
NET BOOK VALUES					
Balance at 31/3/1998	3,854,871	547,268	1,457,915	18,333	5,878,387
Balance at 31/3/1997	4,315,965	438,608	1,871,217	38,333	6,664,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

11. CONSTRUCTIONS IN PROGRESS

Group

	For construction of tangible fixed assets		For properties for sale		Total	
	Land cost <i>HK\$</i>	Other con- struction costs <i>HK\$</i>	Land cost <i>HK\$</i>	Other con- struction costs <i>HK\$</i>	1998	1997
					<i>HK\$</i>	<i>HK\$</i>
Balance at 1 April	1,528,693	2,229,401	81,758,633	233,078,147	318,594,874	5,946,808
On acquisition of subsidiaries	-	-	-	-	-	142,621,698
Additions during the year	-	-	14,427,055	14,261,039	28,688,094	170,463,718
Write off during the year	-	(2,241,556)	-	-	(2,241,556)	-
Exchange adjustment	(110,737)	12,155	772,318	2,201,729	2,875,465	(437,350)
Transfer to property stock for sale	-	-	(96,958,006)	(249,540,915)	(346,498,921)	-
Balance at 31 March	<u>1,417,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,417,956</u>	<u>318,594,874</u>

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

12. VESSEL UNDER CONSTRUCTION

	Group	
	1998 <i>HK\$</i>	1997 <i>HK\$</i>
Cost		
Progress payment made during the year and balance at 31 March	<u>7,933,328</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

13. INTERESTS IN SUBSIDIARIES

	Company	
	1998	1997
	HK\$	HK\$
Unlisted shares, at cost	224,552,761	224,552,759
Amount due therefrom	1,564,924,641	1,281,746,690
Amount due thereto	(1,013,974,505)	(837,271,276)
Shareholder's loans	29,879,498	29,879,498
	580,829,634	474,354,912
Balance at 31 March	805,382,395	698,907,671

Particulars of the principal subsidiaries are set out in note 37 to the financial statements.

14. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	1998	1997
	HK\$	HK\$
Share of net assets	137,176,878	95,252,212
Unamortised premium on acquisition of associated companies	164,713,120	57,233
	301,889,998	95,309,445
Amount due therefrom	76,483,112	65,348,785
Amount due thereto	(5,697,495)	(877,380)
Shareholder's loans (<i>Note a</i>)	717,387,853	513,534,162
	788,173,470	578,005,567
Balance at 31 March	1,090,063,468	673,315,012
Market value of listed shares in Hong Kong	95,853,800	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

14. INTERESTS IN ASSOCIATED COMPANIES (Continued)

	Company	
	1998	1997
	HK\$	HK\$
Unlisted shares, at cost	<u>9</u>	<u>8</u>
Amount due therefrom	8,282,356	14,966,758
Shareholder's loans	351,680,804	269,180,804
	<u>359,963,160</u>	<u>284,147,562</u>
Balance at 31 March	<u>359,963,169</u>	<u>284,147,570</u>

- (a) Includes amount of HK\$374,308,333 (1997: HK\$202,433,333) representing loans due from associated companies, the repayment of which are subject to certain terms and conditions of subordination agreement entered into in favour of a syndicate of lender banks.
- (b) At 31 March 1998, the Group had 11.52% interest in Midland Realty (Holdings) Limited ("Midland"), a listed company in Hong Kong. Mr. Wong Kin Wah, George ("Mr Wong"), the Chairman of the Board of directors of the Company was appointed to be a director of Midland on 1 November 1997. Midland has confirmed that Mr. Wong's membership of the board enables the Group to exercise significant influence over the corporate policies and strategies of Midland.
- (c) The results of Midland incorporated into the Group's financial statements are derived from its audited financial statements made up to 31 December 1997.
- (d) Particulars of the principal associated companies are set out in note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

15. INTERESTS IN OTHER INVESTMENTS

	Group		Company	
	1998	1997	1998	1997
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Unlisted shares in Hong Kong, at cost	5,538,900	5,538,900	-	-
Shareholders' loan	4,996,100	4,996,100	-	-
	10,535,000	10,535,000	-	-
Unlisted shares overseas, at cost	3,129,527	3,103,891	-	-
Shareholders' loans	6,449,762	6,779,936	-	-
	9,579,289	9,883,827	-	-
Equity contributions to overseas investments	90,537,931	100,671,716	-	-
Other related costs capitalised	3,504,114	3,504,114	-	-
	94,042,045	104,175,830	-	-
Club membership overseas, at cost	615,000	615,000	-	-
Listed shares overseas, at cost	-	9,868,002	-	9,868,002
Balance at 31 March	114,771,334	135,077,659	-	9,868,002
Market value of listed shares overseas	-	3,076,474	-	3,076,474

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

16. INTERESTS IN LIMITED PARTNERSHIPS

	Group	
	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets	<u>24,851,061</u>	<u>12,574,105</u>

Particulars of the limited partnerships 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
Monterey Atlantic Place	Los Angeles USA	US\$2,250,000	66.67%	Property investment

The directors consider that the Group is in a position to exercise significant influence over the management decisions of Park Avenue Court 98 Associate, L.P. through a director in the board of directors of the partnership.

17. LOAN STOCK RECEIVABLE

	Company	
	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Face value, at par	536,400,000	536,400,000
<i>Less:</i> Discount received on acquisition	(118,144,838)	(118,144,838)
Balance at 31 March	<u>418,255,162</u>	<u>418,255,162</u>

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

The subsidiary may on 1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

18. PRE-OPERATING EXPENSES

	Group	
	1998	1997
	HK\$	HK\$
COST		
Balance at 1 April	21,527,319	7,817,258
Exchange adjustment	(1,169)	(1,651)
On acquisition of subsidiaries	-	3,008,123
Additions during the year	192,909	10,703,589
Written off during the year	(1,002,457)	-
	<hr/>	<hr/>
Balance at 31 March	20,716,602	21,527,319
	<hr/>	<hr/>
ACCUMULATED AMORTISATION		
Balance at 1 April	7,012,905	3,158,405
On acquisition of subsidiaries	-	2,140,037
Amortisation for the year	2,542,967	1,714,463
	<hr/>	<hr/>
Balance at 31 March	9,555,872	7,012,905
	<hr/>	<hr/>
NET BOOK VALUE		
Balance at 31 March	11,160,730	14,514,414
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

19. DEFERRED AND DEVELOPMENT EXPENDITURE

Group	Deferred expenditure <i>HK\$</i>	Development expenditure <i>HK\$</i>	Total <i>HK\$</i>
COST			
Balance at 1/4/1997	8,556,148	27,666,820	36,222,968
Exchange adjustment	–	828,271	828,271
Additions for the year	910,787	–	910,787
Write off during the year	(5,974,753)	–	(5,974,753)
	3,492,182	28,495,091	31,987,273
ACCUMULATED AMORTISATION			
Balance at 1/4/1997	508,012	15,199,750	15,707,762
Exchange adjustment	–	455,040	455,040
Charge for the year	–	1,750,950	1,750,950
Write back on write off	(508,012)	–	(508,012)
	–	17,405,740	17,405,740
NET BOOK VALUES			
	3,492,182	11,089,351	14,581,533
Balance at 31/3/1997	8,048,136	12,467,070	20,515,206
Company			
Deferred expenditure <i>HK\$</i>			
COST			
Balance at 1/4/1997			6,402,590
Additions for the year			910,263
Write off during the year			(3,820,671)
			3,492,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

20. SECURED LOANS TO CUSTOMERS

	Group	
	1998	1997
	HK\$	HK\$
Repayable:		
within 1 year	38,607,334	115,403,999
within 2-5 years	-	3,607,333
	<hr/>	<hr/>
	38,607,334	119,011,332
<i>Less:</i> Portion due within one year included in current assets	(38,607,334)	(115,403,999)
	<hr/>	<hr/>
Long term portion	-	3,607,333
	<hr/> <hr/>	<hr/> <hr/>

21. NET CURRENT (LIABILITIES)/ASSETS

	Group		Company	
	1998	1997	1998	1997
	HK\$	HK\$	HK\$	HK\$
<i>Notes</i>				
CURRENT ASSETS				
Cash and bank balances	48,436,708	45,358,632	24,271,915	1,723,174
Short term investments	291,913,565	272,278,347	27,115,527	-
Accounts receivable and prepayments	91,884,173	75,205,409	9,851,948	10,664,203
Amount recoverable on contracts	3,377,610	31,167,675	-	-
Other receivables	41,928,132	51,470,578	314,098	2,205,411
Other deposits and temporary payments	147,280,327	134,602,689	-	-
Utility, other deposits and accrued income	17,196,549	5,355,203	1,607,880	1,091,098
Amount due from related companies	1,682,035	6,528,369	-	-
Stock and work in progress	331,809,658	42,033,142	-	-
Unsecured short term loan receivables	3,316,770	2,800,000	-	-
Secured loans to customers - current portion	38,607,334	115,403,999	-	-
Amount due from minority shareholders	784,623	-	-	-
Tax recoverable	1,580,075	557,461	-	-
Interest receivable	86,043	1,826,603	-	-
Dividend receivable	684,670	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,020,568,272	784,588,107	63,161,368	15,683,886
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

21. NET CURRENT (LIABILITIES)/ASSETS (Continued)

	<i>Notes</i>	Group		Company	
		1998	1997	1998	1997
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
CURRENT LIABILITIES					
Bank overdrafts, secured		29,517,879	44,278,708	-	18,541,785
Bills payable		4,789,021	1,947,082	119,000	1,947,082
Short term bank loan, secured		442,000,000	-	-	-
Secured bank loans,					
- current portion		8,411,133	25,222,534	-	-
Margin loans, secured		239,594,733	270,308,460	-	-
Creditors, accruals and deferred income		168,466,542	129,673,791	13,165,405	4,260,177
Payments received on accounts	25	47,882,035	57,852,242	-	-
Other payables		30,743,521	17,185,528	-	-
Interest payable		4,274,636	-	303,370	-
Deposits received		15,918,621	45,076,080	-	-
Obligations under finance leases - current portion		1,449,816	1,841,300	-	-
Amount due to a director		26,080,414	-	26,080,414	-
Amount due to related companies		11,360,352	2,210,760	19,420,270	20,085,246
Amount due to minority shareholders		154,158	-	-	-
Provision for taxation		100,346,792	77,305,575	570,000	570,000
Unclaimed dividends		249,581	194,961	249,581	194,961
Proposed dividends		-	53,535,926	-	53,535,926
		<u>1,131,239,234</u>	<u>726,632,947</u>	<u>59,908,040</u>	<u>99,135,177</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(110,670,962)</u>	<u>57,955,160</u>	<u>3,253,328</u>	<u>(83,451,291)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

22. SHORT TERM INVESTMENTS

	Group		Company	
	1998	1997	1998	1997
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Listed in Hong Kong	57,486,478	34,906,030	27,115,527	-
Listed overseas	2,087,087	10,947,554	-	-
Unlisted investments	232,340,000	226,424,763	-	-
	<u>291,913,565</u>	<u>272,278,347</u>	<u>27,115,527</u>	<u>-</u>
Market value				
Listed in Hong Kong	<u>58,813,582</u>	<u>34,915,857</u>	<u>30,379,500</u>	<u>-</u>
Listed overseas	<u>2,087,087</u>	<u>10,932,834</u>	<u>-</u>	<u>-</u>

23. OTHER DEPOSITS AND TEMPORARY PAYMENTS

The balance includes the followings:

- (a) a deposit of HK\$42,278,311 (1997: HK\$42,278,311) paid for the purchase of a property situated in Shanghai.
- (b) during the year, a subsidiary entered into a joint venture agreement for the development, construction, operation and management of a golf course and its ancillary facilities in Shenzhen, the People's Republic of China. Since the shares of the joint venture company were allotted after 31 March 1998, the amount paid and related expenses incurred for this investment up to 31 March 1998 of HK\$88,642,512 is classified as temporary payment. The subsidiary subsequently withdrew from the joint venture. See Note 35 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

24. INVENTORIES AND WORK IN PROGRESS

	Group	
	1998	1997
	HK\$	HK\$
Inventories		
Raw materials and consumables	10,626,312	2,631,937
Works in progress	246,430	2,014,880
Finished goods	–	25,186
	<hr/>	<hr/>
	10,872,742	4,672,003
General merchandises	17,697,132	17,476,792
Properties held for sale	273,123,444	–
	<hr/>	<hr/>
	301,693,318	22,148,795
Work in Progress of Long Term Contracts		
Net cost less foreseeable losses	30,116,340	19,884,347
	<hr/>	<hr/>
Balance at 31 March	331,809,658	42,033,142
	<hr/> <hr/>	<hr/> <hr/>

25. PAYMENT RECEIVED ON ACCOUNTS

	Group	
	1998	1997
	HK\$	HK\$
Cost incurred to date plus estimated attributable profits less foreseeable losses	24,419,955	–
Less: Progress payments received and receivable	(72,301,990)	(57,852,242)
	<hr/>	<hr/>
	(47,882,035)	(57,852,242)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

26. SHARE CAPITAL

	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
<i>Authorised:</i>	<u>850,000,000</u>	<u>850,000,000</u>
<i>Issued and fully paid:</i>		
Balance at 1/4/1997 and at 31/3/1998	<u>535,359,258</u>	<u>535,359,258</u>

27. RESERVES

	Reserve/ (Goodwill) on consolidation <i>HK\$</i>	Capital reduction reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Revenue reserve <i>HK\$</i>	Total <i>HK\$</i>
(a) Group							
Balance at 1/4/1997	(21,000,605)	85,844,959	718,599,024	2,382,000	1,017,033,925	241,781,965	2,044,641,268
Deficit on revaluation of investment properties	-	-	-	-	(410,857,182)	-	(410,857,182)
Realisation on disposals transferred to profit and loss account	-	-	-	-	(98,358,510)	-	(98,358,510)
On acquisition of additional interest in an associated company	299,016	-	-	-	-	-	299,016
Goodwill on consolidation	(274,765)	-	-	-	-	-	(274,765)
Exchange differences arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	1,112,262	1,112,262
Exchange differences arising from translation of financial statements of foreign associated companies	-	-	-	-	-	(2,592,455)	(2,592,455)
Loss for the year retained	-	-	-	-	-	(49,782,348)	(49,782,348)
Balance at 31/3/1998	<u>(20,976,354)</u>	<u>85,844,959</u>	<u>718,599,024</u>	<u>2,382,000</u>	<u>507,818,233</u>	<u>190,519,424</u>	<u>1,484,187,286</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

27. RESERVES (Continued)

(b) Company

	Capital redemption reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Revenue reserve <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1/4/1997	2,382,000	718,599,024	66,889,494	19,064,051	806,934,569
Profit for the year retained	-	-	-	127,430,796	127,430,796
Balance at 31/3/1998	<u>2,382,000</u>	<u>718,599,024</u>	<u>66,889,494</u>	<u>146,494,847</u>	<u>934,365,365</u>

The reserves available for distribution to the shareholders, as calculated under the provision of the Companies Act 1981 of Bermuda, as at 31 March 1998 was HK\$213,384,341 (1997: HK\$85,953,545).

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 24 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.

- (c) Included in the above are the following Group's share of post-acquisition reserves of the associated companies:-

	Assets revaluation reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1/4/1997	3,841,735	(16,665,644)	(12,823,909)
Net losses for the year, retained	-	(20,152,211)	(20,152,211)
Balance at 31/3/1998	<u>3,841,735</u>	<u>(36,817,855)</u>	<u>(32,976,120)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

28. MINORITY INTERESTS

	Group	
	1998	1997
	HK\$	HK\$
Share of capital and reserves	20,718,757	15,629,814
Loans from minority shareholders	46,230,094	69,165,740
	<u>66,948,851</u>	<u>84,795,554</u>

29. LONG TERM LIABILITIES

	Group		Company	
	1998	1997	1998	1997
	HK\$	HK\$	HK\$	HK\$
Secured bank loans repayable				
– more than 1 year but not exceeding 2 years	–	153,065,110	–	–
– more than 2 years but not exceeding 5 years	152,540,375	17,192,765	128,000,000	–
	152,540,375	170,257,875	128,000,000	–
Unsecured other loan, repayable within 2 to 5 years	505,830	1,108,184	–	–
Obligation under finance leases payable				
– more than 1 year but not exceeding 5 years	843,050	1,382,234	–	–
Warranty	2,788,550	1,435,602	–	–
	<u>156,677,805</u>	<u>174,183,895</u>	<u>128,000,000</u>	<u>–</u>

The unsecured other loan is interest free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

30. CONSOLIDATED CASH FLOW STATEMENT

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

	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Operating (loss)/profit excluding interest expenses	(2,260,253)	195,566,572
Interest expenses	50,544,258	29,539,828
Depreciation	14,098,269	15,710,208
Amortisation of premium on acquisition of associated company	18,310,431	-
(Profit) on disposals of investment properties	(101,462,133)	(273,706,907)
Loss on disposals of other tangible fixed assets	111,422	1,748,635
Amortisation/Write off of pre-operating expenses	3,545,424	1,714,463
Amortisation/Write off of deferred and development expenditures	7,217,691	2,866,199
Write off of a property development joint venture	-	9,548,610
Write off of constructions in progress	2,241,556	-
(Increase)/Decrease in short term investments	(19,635,218)	209,909,154
Decrease/(Increase) in accounts receivable, other receivables and prepayments	7,929,142	(57,132,636)
Decrease in amount recoverable on contracts	27,790,065	12,293,850
(Increase) in other deposits and temporary payments	(12,677,638)	(8,475,562)
(Increase)/Decrease in utility, other deposits and accrued income	(11,824,536)	101,891,360
Decrease/(Increase) in amount due from related companies	4,846,334	(6,528,369)
Decrease/(Increase) in stock and work in progress	56,782,389	(3,992,718)
(Increase)/Decrease in unsecured short term loan receivables	(516,770)	18,097,677
(Increase) in amount due from minority shareholders	(784,623)	-
Decrease/(Increase) in interest receivable	1,740,560	(1,139,175)
Increase in bills payable	2,841,939	1,873,520
(Decrease) in margin loan, secured	(30,713,727)	(82,363,393)
Increase in creditors, accruals and deferred income	38,533,194	57,978,964
(Decrease)/Increase in payments received on accounts	(9,970,207)	10,175,267
Increase /(Decrease) in other payables	6,925,878	(95,355,271)
(Decrease)/Increase in deposits received	(29,157,459)	15,465,911
Increase in amount due to a director	26,080,414	-
Increase in amount due to related companies	9,389,351	76,201
Increase in amount due to minority shareholders	56,775	-
Increase in warranty	1,352,948	1,317,852
Effect of foreign exchange rate changes on net current assets	(2,162,600)	(1,375,333)
	<hr/>	<hr/>
Net cash inflow from operating activities	59,172,876	155,704,907

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

30. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including premium) <i>HK\$</i>	Bank loans, other loans and other financings <i>HK\$</i>	Minority interests <i>HK\$</i>	1998 <i>HK\$</i>	1997 <i>HK\$</i>
Balance at 1 April	1,253,958,282	199,812,127	84,795,554	1,538,565,963	1,699,249,041
Issue of new shares on exercise of warrant rights	-	-	-	-	11,663,360
Net short term bank loans obtained	-	442,000,000	-	442,000,000	-
Net repayment of long term bank loans	-	(34,717,401)	-	(34,717,401)	(291,117,794)
Net finance leases repaid	-	(1,037,477)	-	(1,037,477)	(1,612,111)
Repayment of other loan	-	(635,530)	-	(635,530)	(591,292)
Share capital paid by minority interests	-	-	3,666	3,666	-
Net repayment of loans from minority shareholders	-	-	(26,094,908)	(26,094,908)	(3,575,749)
Net cash inflow/(outflow) from financing	-	405,609,592	(26,091,242)	379,518,350	(285,233,586)
On acquisition of subsidiaries	-	12,182	2,567,356	2,579,538	123,032,731
Minority interests in profits	-	-	4,876,178	4,876,178	-
Exchange translation difference	-	316,303	801,005	1,117,308	1,517,777
	-	405,938,077	(17,846,703)	388,091,374	(160,683,078)
Balance at 31 March	<u>1,253,958,282</u>	<u>605,750,204</u>	<u>66,948,851</u>	<u>1,926,657,337</u>	<u>1,538,565,963</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

30. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Cash and bank balances	194,225	1,554,249
Accounts receivable	17,920	3,083,106
Rental and utility deposits	16,810	–
Other receivables	3,603,485	–
Stock	59,985	21,017,645
Tangible fixed assets	141,075	50,420,088
Interest in a limited partnership	8,715,233	–
Deposits and prepayments	–	95,596,145
Tax recoverable	–	3,501
Property under development	–	142,621,698
Pre-operating expenses	–	868,086
Interest in associated companies	–	12,324,580
Bank overdraft	–	(5,693,544)
Bank loan secured	–	(34,709,363)
Bills payable	–	(73,562)
Obligation under finance lease	(12,182)	–
Accounts payable and accruals	(259,557)	(1,764,260)
Other payables and accruals	(785,014)	(1,257,459)
Deposits received	–	(19,874,374)
Minority interests	(61,456)	(15,677,749)
Amount due to minority shareholders	(97,383)	–
Loans from minority shareholders	(2,505,900)	(72,645,619)
Assets acquired	9,027,241	175,793,168
Interest in the acquired companies originally held by the Group	(4,277,527)	(137,954,484)
	4,749,714	37,838,684
Goodwill on consolidation	274,765	21,842,509
	5,024,479	59,681,193
Satisfied by:		
Net cash consideration	3,353,879	59,681,193
Adoption of indebtedness	1,670,600	–
	5,024,479	59,681,193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

30. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries (Continued)

The subsidiaries acquired during the year contributed HK\$7,572,421 (1997: HK\$140,941,236) to the Group's net operating cash flows, utilised HK\$303,724 (1997: HK\$170,853,938) for investing activities and utilised HK\$11,256 (1997: HK\$Nil) in respect of financing activities.

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

	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	3,353,879	59,681,193
Cash and bank balances acquired	(194,225)	(1,554,249)
Bank overdrafts acquired	–	5,693,544
	3,159,654	63,820,488

(e) Disposal of a subsidiary

	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Tangible fixed assets	239,759	–
Satisfied by		
Assignment of debt	239,759	–

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

	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Cash and bank balances	48,436,708	45,358,632
Bank overdrafts	(29,517,879)	(44,278,708)
	18,918,829	1,079,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

31. COMMITMENTS

(a) Capital commitments

	Group	
	1998	1997
	<i>HK\$</i>	<i>HK\$</i>
Contracted for but not provided in the financial statements:-		
Unpaid capital contributions		
- subsidiaries	83,905,766	14,658,625
- associated companies	10,228,680	24,985,714
Acquisition cost on a land and building	98,371,980	98,371,980
Others	4,000,000	4,000,000
	196,506,426	142,016,319

(b) Lease commitments

	1998		1997	
	Land and buildings	Others	Land and buildings	Others
Group	<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	1,564,850	64,850	752,976	25,186
- expiring in second to fifth year	4,638,482	298,310	4,398,426	239,267
- expiring after the fifth year	129,700	-	-	12,593
	6,333,032	363,160	5,151,402	277,046

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:-

- (a) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

32. PENSION SCHEMES (Continued)

The pension charge for the year was HK\$3,523,560 (1997: HK\$2,759,071) excluding additional contributions.

The most recent valuation was at 1 April 1996. This indicated that an actuarial surplus of HK\$1,841,740 (£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\$42,875,149 (£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.

- (b) In accordance with regulations issued by the Shanghai Municipal Government, the People's Republic of China, a subsidiary is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The retirement fund contribution for the year was RMB41,307. (1997: RMBNil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

33. CONTINGENT LIABILITIES

	Group		Company	
	1998	1997	1998	1997
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Corporate guarantee given to banks in respect of banking facilities utilised by				
– subsidiaries	–	–	496,384,754	182,665,419
– associated companies	722,802,521	593,229,436	722,802,521	593,229,436
– a limited partnership	21,644,000	23,039,265	21,644,000	23,039,265
– third parties	–	3,500,000	–	3,500,000
	744,446,521	619,768,701	1,240,831,275	802,434,120
<i>Less:</i> Counter indemnity in respect of banking facilities utilised by an associated company	(199,652,594)	(207,581,385)	(199,652,594)	(207,581,384)
	544,793,927	412,187,316	1,041,178,681	594,852,736
Performance bonds and advance payment guarantee	59,614,011	85,774,373	–	–
	604,407,938	497,961,689	1,041,178,681	594,852,736

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 part of the mortgaged investment properties from both rental and disposal proceeds.
- (c) Legal charge of a vessel and a vessel under construction owned by the Group.
- (d) The assignment of charter party and earnings of a 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

34. PLEDGE OF ASSETS (Continued)

- (f) Legal charge over a freehold property located in United Kingdom.
- (g) Floating charge over all of the assets of a sub-group of companies (FBM Group) in United Kingdom.
- (h) Short term investments with a carrying value of HK\$291,334,160 were pledged for margin loan facilities.
- (i) Debenture and floating charges of all part of assets of a subsidiary in Hong Kong.

35. POST BALANCE SHEET EVENT

On 21 April 1998, a subsidiary was allotted the shares in the joint venture company referred to note 23 to the financial statements. On 20 July 1998, the subsidiary withdrew from the joint venture and disposed of its shares in and the benefit of loan to the joint venture company for an aggregate consideration of HK\$90,117,306, after deduction of share of golf club expenses of HK\$2,003,715 which has been charged to current year's result.

36. COMPARATIVE FIGURES

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

37. 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	Hong Kong	Ordinary	HK\$1,000	100%	-	Investment holding and capital market investment
Parkview Management Services Limited	British Virgin Islands	Ordinary	US\$4	100%	-	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

37. 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	
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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

37. 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	
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. <i>(Note e)</i>	People's Republic of China	N/A	US\$10,000,000	-	100%	Property investment
Parkview Hotels & Resorts Limited <i>(Note b)</i>	British Virgin Islands	Ordinary	US\$100	55%	-	Hotel management
Jiangsu Parkview Hotels & Resorts Limited <i>(Note e)</i>	British Virgin Islands	Ordinary	US\$100	-	55%	Hotel management
Parkview Hotels (Management) Limited	British Virgin Islands	Ordinary	US\$1	-	100%	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
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	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

37. 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	
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%	Invest 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
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 <i>(Notes a & e)</i>	People's Republic of China	N/A	US\$292,650	–	100%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

37. 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	
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 (<i>Notes c</i>)	United Kingdom	Ordinary	GBP1,255,020	-	100%	Investment holding
FBM Marine Limited (<i>Note c</i>)	United Kingdom	Ordinary	GBP921,957	-	100%	Ship building and marine engineering
FBM Marine (Land) Limited (<i>Note c</i>)	United Kingdom	Ordinary	GBP1	-	100%	Property investment
FBM Indonesia Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
FBMI (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. (<i>Note b</i>)	Netherlands Antilles	Ordinary	US\$6,000	-	100%	Investment holding
Cost Plus Investments Limited (<i>Note b</i>)	British Virgin Islands	Ordinary	US\$1	-	100%	Vessel owner
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 TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

37. 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	
China Garden Limited	British Virgin Islands	Ordinary	US\$30	-	70%	Invest in a limited partnership
International Agents Limited	British Virgin Islands	Ordinary	US\$1,000	-	57.5%	Investment holding
Gallaria International Limited (Note b)	Hong Kong	Ordinary	HK\$10,000	-	57.5%	Decoration contractor and trading of building supplies
Annfield Corporation (Note b)	British Virgin Islands	Ordinary	US\$1	-	100%	Vessel owner
Fairway Group Limited	Hong Kong	Ordinary	HK\$2	-	100%	Property investment
Gembrook Developments Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Interlink Associates Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
High Grade Assets Limited	British Virgin Islands	Ordinary	US\$1	-	100%	Investment holding
Hebo Urge Company Limited	Hong Kong	Ordinary	HK\$2	100%	-	Painting owner

Notes:

- (a) These companies are not audited by Deloitte Touche Tohmatsu.
- (b) Operating internationally.
- (c) Operating in United Kingdom.
- (d) Operating in United States of America.
- (e) Operating in People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

38. 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	
Unlisted:					
CTS-Parkview Holdings Limited	British Virgin Islands	US\$2	50%	–	Investment holding
CTS-Parkview (Shenzhen) Ferry Services Limited (Formerly known as 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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

38. 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	
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
Woolaston Holdings Limited	British Virgin Islands	US\$2	–	50%	Shipowner
Universal MK IV Limited	British Virgin Islands	US\$1	–	50%	Shipowner
FBV Designs Limited <i>(Note)</i>	United Kingdom	GBP1	–	50%	Marine design
CTS-Telecommunications Limited	Hong Kong	HK\$2	–	50%	Investment holding
Nanjiang Dingshan Garden 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

38. 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	
Universal Aboitiz Inc. <i>(Note)</i>	Philippines	P21,187,500	–	50%	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
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 investment
Blue Chip Investments Limited <i>(Note)</i>	Hong Kong	HK\$5,000,000	–	50%	Operation of restaurant
Aboitiz Parkview Transport Holdings Inc. <i>(Note)</i>	Philippines	P100,000	–	50%	Investment holding
Kinart Enterprise Limited	Hong Kong	HK\$2	50%	–	Investment holding
Listed:					
Midland Realty (Holdings) Limited <i>(Note)</i>	Bermuda	HK\$59,433,100	–	11.52%	Investment holding

Note:

These companies are not audited by Deloitte Touche Tohmatsu.

SCHEDULE OF PROPERTIES FOR INVESTMENT

FOR THE YEAR ENDED 31 MARCH 1998

	Type of property	Gross floor area (sq.feet)	Group's interest	Lease term
Hong Kong Parkview No. 65 and No. 67 on 1st 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
Shop No. C on Ground Floor Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong	Shop	2,100	100%	Long
Shop No. 68 on Ground Floor Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong	Shop	1,830	100%	Long

FIVE YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 1998

	1994 <i>HK\$</i>	1995 <i>HK\$</i>	1996 <i>HK\$</i>	1997 <i>HK\$</i>	1998 <i>HK\$</i>
Consolidated results					
Turnover	<u>1,358,219,313</u>	<u>813,242,175</u>	<u>556,168,938</u>	<u>797,867,882</u>	<u>849,217,209</u>
Profit/(loss) attributable to shareholders	<u>303,103,176</u>	<u>76,602,004</u>	<u>(48,216,335)</u>	<u>154,257,003</u>	<u>(49,782,348)</u>
Earnings/(loss) per share	<u>62.86 cents</u>	<u>14.33 cents</u>	<u>(9.05 cents)</u>	<u>28.93 cents</u>	<u>(9.30 cents)</u>
Consolidated assets and liabilities					
Total assets	2,725,317,763	2,653,133,031	3,210,236,386	3,565,612,922	3,374,412,434
Total liabilities	<u>407,504,891</u>	<u>423,018,784</u>	<u>1,107,574,692</u>	<u>985,612,396</u>	<u>1,354,865,890</u>
Shareholders' funds	<u>2,317,812,872</u>	<u>2,230,114,247</u>	<u>2,102,661,694</u>	<u>2,580,000,526</u>	<u>2,019,546,544</u>