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Chairman's Statement

On behalf of the Board of Directors, I present the 2003/2004 Annual Report to the Shareholders.

RESULTS

The Group's audited results for the financial year ended 31st March 2004 was a loss of HK\$21,015,059 compared to a loss of HK\$56,689,304 for the previous year.

REVIEW & OUTLOOK

The Group's main activities in China consist of property and property related investments including hotel operations and the trading of furniture items. The loss is primarily due to a loss on decoration contractor and trading. The Shangri-La Dingshan Nanjing Hotel which is not operating at full capacity has also contributed towards the loss.

The development project in Shanghai has resumed full-speed after an agreement with the joint venture partner was successfully reached. In light of the blooming property market outlook in China, this project is expected to generate favourable income in the coming years. At the same time, the Group continues to look selectively for opportunities in acquisitions in China and forming strategic alliances. This is a long term strategy which needs time to realise. The Group is confident that this is the best strategy for business development in line with China's dynamic and fast growing economy

APPRECIATION

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

Wong Kin Wah, George
Chairman

Hong Kong, 19th July 2004

Management Discussion and Analysis

RESULTS

The Group's turnover for the financial year ended 31st March 2004 amounted to HK\$57,237,652. Loss attributed to the shareholders for the year totalled HK\$21,015,059.

PROPERTY & HOSPITALITY DIVISION

Shangri-La Dingshan Nanjing Hotel, Nanjing China

For the current financial year, the hotel managed to generate a positive contribution in spite of the fact that Phase 2 of the development, to provide an additional 200 rooms, has not been completed. After allowing for interests on bank loans and depreciation, the company showed a loss for the financial year.

Shanghai Garden City, Shanghai, China

Having resolved the previously disputed issues on the first phase of the project, an agreement was reached with the joint venture partner as to the development of the second phase. The project has now resumed full speed. Since then, the joint venture company managed to sell the majority of the completed apartments of the first phase at favourable prices. Several units and the shopping mall thereof remained unsold but are expected to fetch favourable offers. On the second phase, designs and detailed plan have been submitted to the authorities for which approval is expected shortly. Construction of this 15,000 square meter development is planned to commence in July/August 2004 with pre-sale taking place early 2005.

TRADING SALES AND CONTRACT WORKS

In the furnishing business, the retail sector was seriously affected by the outbreak of SARS in 2003. To cope with the situation, Gallaria Furnishing International Limited has adopted a concerted marketing campaign to focus the project-based strategy of supplying furniture and accessories to serviced apartments and hotels in Hong Kong and PRC. This approach has begun to improve the business outlook of the company and is expected to put it back on the profitability track.

FINANCIAL POSITION

The financial position of the Group remained healthy and apart from the HK\$3.5 million in bank overdrafts, the Group had a minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.51% (2003: 1.56%).

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

At 31st March 2004, the Group had HK\$56 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31st March 2004 (2003: Nil).

EMPLOYEES

Total number of employees in the Group excluding those under the payroll of the associated companies at 31st March 2004 was 83 compared with 78 at 31st March 2003. Remuneration packages are reviewed annually. In addition to the salary payment, other staff benefits include medical and hospitalisation insurance cover.

Report of the Directors

The Directors present their annual report and the audited financial statements for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The activities of its principal subsidiaries and associate are set out in notes 29 and 13 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31st March 2004 are set out in the consolidated income statement on page 11.

The directors do not recommend the payment of a final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

DIRECTORS

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

Executive directors

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

Independent non-executive directors

Ma Chi Man
The Hon. Lau Hon Chuen, Ambrose, G.B.S., J.P.

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

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

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with Hong Kong Parkview Management Services Limited (“HKPV”) of which two children of Mr. Wong Kin Wah were directors and have beneficial interests.
- (i) Building management fee of HK\$101,016 was paid to HKPV for office management services provided to the Group.
 - (ii) General expenses of HK\$3,139,481 was paid to HKPV for daily operating activities provided to the Group.
- (b) Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or 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.
- (c) At no time during the year was the Company, its holding company, fellow subsidiaries or 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.
- (d) 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 Group within one year without payment of compensation other than statutory compensation.

MANAGEMENT PROFILES

A. Executive directors

Mr. Wong Kin Wah, George, aged 52 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 50 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 49 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 48 held a Masters 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.

Report of the Directors

MANAGEMENT PROFILES (Continued)

B. Independent non-executive directors

Mr. Ma Chi Man, aged 72 is a Vice-chairman of the International Chinese Culture Institute and the honorary chairman of Hong Kong Association of China Travel Organisations Limited. He was appointed as Director in 1994.

The Honourable Lau Hon Chuen, Ambrose, G.B.S., J.P., aged 57 is the senior partner of Chu & Lau, Solicitors and Notaries. Mr. Lau is a member of the Legislative Council, the Standing Committee Member of the National Committee of Chinese People's Political Consultative Conference and a member of the Board of the Urban Renewal Authority among his many public service appointments. He was appointed as Director in 1995.

C. Senior Management Staff

Mr. Sin Kit Leung, Peter, aged 64 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 49 is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Society of Accountants. He has over 20 years of experience in banking and commercial sectors. Mr. Chan joined the Group in 1990 and is now responsible for the overall management of the Group.

Mr. Laurence Neil Baum, aged 50 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 57 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 organisation.

Mr. Cheung King Ching, Herbert, aged 62 is an Authorised Person and Registered Architect with over 20 years of experience in construction and building industry. He joined the Hong Kong Parkview in 1988 and is responsible for the management of the Group's property construction activities.

Mr. Chow Kwing Chan, aged 52 has over 20 years of experience in the hotel industry and retail business. He joined the Hong Kong Parkview in 1988 and was involved in setting up the Group's motor car trading business. Since 1995 he has been in charge of Gallaria Furnishings International Limited.

Mr. Ng Chan Shing, Lawrence, aged 60 has 30 years of experience in government and commercial sectors. Before joining the Group in 1997, Mr. Ng was a director of a diversified public company. Mr. Ng is responsible for the Group's household equipment trading activities.

Report of the Directors

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

At 31st March 2004, the interests of the directors and the chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

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

Notes:

- 98,000,000 shares were held by High Return Trading Limited and in which Mr. Wong Kin Wah, George was deemed to have interests since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".
- Messrs. Wong Kin Wah, George, Hwang Yiou Hwa, Victor, Hwang Yiu Hwa, Richard and Hwang Teh Hwa, Tony are directors and shareholders of Kompas International Limited which owned 293,674,138 shares in the Company.

Other than as disclosed above, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st March 2004.

At no time during the year was the Company, or any of its subsidiaries or fellow 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had an interest in 5% or more of the issued share capital of the Company.

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

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

Note: These shares represented the same parcel of shares as Mr. Wong Kin Wah, George was deemed to have interest in as disclosed above under "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY".

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March 2004.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's largest supplier and the five largest suppliers during the year was 5.3% and 13.1%, respectively.

The percentage of sales attributable to the Group's largest customer and the five largest customers during the year was 23.7% and 45.4%, respectively.

None of the directors, their associates or any shareholder which to the knowledge of the directors owned more than 5% of the Company's share capital has 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 THE COMPANY'S LISTED SECURITIES

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

Report of the Directors

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

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

On behalf of the Board

Wong Kin Wah, George

Chairman

Hong Kong, 19th July 2004



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香港
中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F 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 11 to 41 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 circumstances of the Company and the Group, 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 assurance 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 31st March 2004 and of the loss and cash flows of the Group 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, 19th July 2004

Consolidated Income Statement

FOR THE YEAR ENDED 31ST MARCH 2004

	<i>Notes</i>	2004 HK\$	2003 <i>HK\$</i>
Turnover	4	57,237,652	46,911,430
Cost of sales		(45,961,789)	(33,898,934)
Gross profit		11,275,863	13,012,496
Other operating income		831,169	1,694,597
Administrative expenses		(24,464,368)	(26,593,589)
Allowances for doubtful debts		(6,767,800)	(569,757)
Allowances for inventories		(844,015)	(2,000,000)
Impairment loss reversed (recognised) in respect of investment in securities		11,622,394	(27,881,000)
Gain (loss) on disposal of investment in securities		831,826	(3,979,380)
Unrealised gain (loss) on investment in securities		42,000	(56,997)
Loss from operations	6	(7,472,931)	(46,373,630)
Finance costs	7	(313,357)	(273,871)
Gain on disposal of subsidiaries	24	–	610,091
Loss on deemed disposal of interest in a subsidiary	12	(4,955,847)	–
Share of results of associates		(6,369,400)	(15,436,516)
Loss before taxation		(19,111,535)	(61,473,926)
Taxation	9	(167,703)	(361,111)
Loss before minority interests		(19,279,238)	(61,835,037)
Minority interests		(1,735,821)	5,145,733
Net loss for the year		(21,015,059)	(56,689,304)
Dividend		–	–
Basic loss per share	10	(3.93 cents)	(10.59 cents)

Balance Sheets

AT 31ST MARCH 2004

	Notes	THE GROUP		THE COMPANY	
		2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Non-current assets					
Property, plant and equipment	11	13,904,372	17,120,592	696,032	1,314,050
Investment in subsidiaries	12	–	–	416,563,081	418,641,956
Interest in associates	13	74,758,167	83,167,406	9,510,211	9,497,257
Investment in securities	14	29,735,600	18,944,000	–	–
		118,398,139	119,231,998	426,769,324	429,453,263
Current assets					
Other receivables	15	1,657,351	1,500,000	1,500,000	1,500,000
Inventories	16	27,709,922	44,530,037	–	–
Contracts in progress	17	–	9,518,913	–	–
Accounts receivable and prepayments	18	16,808,822	19,388,470	1,896,008	610,858
Amounts due from minority shareholders		5,003,635	7,306,222	–	–
Amounts due from subsidiaries		–	–	5,777,934	7,994,165
Amounts due from associates		50,632,969	51,238,665	1,736,094	377,737
Amounts due from related companies		–	4,296,984	–	4,296,984
Tax recoverable		443,388	443,388	443,388	443,388
Investment in securities	14	84,000	42,058	–	–
Bank balances and cash		11,790,694	5,362,547	3,878,768	1,125,965
		114,130,781	143,627,284	15,232,192	16,349,097

Balance Sheets

AT 31ST MARCH 2004

	Notes	THE GROUP		THE COMPANY	
		2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Current liabilities					
Accounts payable and accrued charges	19	18,530,857	21,524,842	432,885	3,490,027
Loan from minority shareholders	20	11,096,466	29,950,789	–	–
Amounts due to subsidiaries	23	–	–	2,213,009	2,401,662
Advance from investee		3,460,560	–	–	–
Amounts due to related companies		16,539,050	29,574,397	21,006,487	28,621,760
Tax payable		4,187,528	4,191,556	–	–
Dividend payable		885,225	885,225	885,225	885,225
Bank overdrafts		3,518,346	4,090,160	–	–
		<u>58,218,032</u>	<u>90,216,969</u>	<u>24,537,606</u>	<u>35,398,674</u>
Net current assets (liabilities)		<u>55,912,749</u>	<u>53,410,315</u>	<u>(9,305,414)</u>	<u>(19,049,577)</u>
		<u>174,310,888</u>	<u>172,642,313</u>	<u>417,463,910</u>	<u>410,403,686</u>
Capital and reserves					
Share capital	21	53,535,926	53,535,926	53,535,926	53,535,926
Reserves	22	106,224,676	111,512,500	41,927,984	55,867,760
		<u>159,760,602</u>	<u>165,048,426</u>	<u>95,463,910</u>	<u>109,403,686</u>
Minority interests		12,650,107	5,693,708	–	–
Non-current liabilities					
Loans from minority shareholders	20	1,900,179	1,900,179	–	–
Amounts due to subsidiaries	23	–	–	322,000,000	301,000,000
		<u>174,310,888</u>	<u>172,642,313</u>	<u>417,463,910</u>	<u>410,403,686</u>

The financial statements on pages 11 to 41 were approved and authorised for issue by the Board of Directors on 19th July 2004 and are signed on its behalf by:

WONG KIN WAH, GEORGE
DIRECTOR

HWANG YIOU HWA, VICTOR
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST MARCH 2004

	Share capital HK\$	Capital redemption reserve HK\$	Reserve/ (Goodwill) on consolidation HK\$	Capital reduction reserve HK\$	Investment revaluation reserve HK\$	Contributed surplus HK\$	Exchange reserve HK\$	Deficit HK\$	Total HK\$
THE GROUP									
At 1st April 2002	53,535,926	2,382,000	(26,486,075)	85,844,959	(28,723,549)	329,928,202	(4,024,035)	(210,058,626)	202,398,802
Exchange difference arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	-	(231,363)	-	(231,363)
Exchange difference arising from translation of financial statements of foreign associates	-	-	-	-	-	-	(167,742)	-	(167,742)
Unrealised loss on revaluation of investments in other securities	-	-	-	-	(9,547,000)	-	-	-	(9,547,000)
Net loss not recognised in the income statement	-	-	-	-	(9,547,000)	-	(399,105)	-	(9,946,105)
Eliminated on disposal of subsidiary	-	-	1,404,033	-	-	-	-	-	1,404,033
Net loss for the year	-	-	-	-	-	-	-	(56,689,304)	(56,689,304)
Impairment loss recognised in respect of investment in securities	-	-	-	-	27,881,000	-	-	-	27,881,000
At 31st March 2003 and 1st April 2003	53,535,926	2,382,000	(25,082,042)	85,844,959	(10,389,549)	329,928,202	(4,423,140)	(266,747,930)	165,048,426
Exchange difference arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	-	(486,211)	-	(486,211)
Exchange difference arising from translation of financial statements of foreign associates	-	-	-	-	-	-	(79,750)	-	(79,750)
Unrealised gain on revaluation of investments in other securities	-	-	-	-	7,678,135	-	-	-	7,678,135
Net gain (loss) not recognised in the income statement	-	-	-	-	7,678,135	-	(565,961)	-	7,112,174
Eliminated on disposal on investments in securities	-	-	-	-	8,615,061	-	-	-	8,615,061
Net loss for the year	-	-	-	-	-	-	-	(21,015,059)	(21,015,059)
At 31st March 2004	53,535,926	2,382,000	(25,082,042)	85,844,959	5,903,647	329,928,202	(4,989,101)	(287,762,989)	159,760,602

Included in the above is the Group's share of post acquisition reserves of the associates of deficit of HK\$30,532,072 (2003: deficit of HK\$24,082,922).

The reserve (goodwill) on consolidation comprises HK\$26,510,324 (2003: HK\$26,510,324) in respect of goodwill and HK\$1,428,282 (2003: HK\$1,428,282) in respect of negative goodwill.

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2004

	<i>Note</i>	2004 HK\$	2003 <i>HK\$</i>
OPERATING ACTIVITIES			
Loss from operations		(7,472,931)	(46,373,630)
Adjustments for:			
Interest income		(15,116)	(134,682)
Depreciation		3,153,121	4,121,210
Allowances for doubtful debts		6,767,800	569,757
Allowances for inventories		844,015	2,000,000
Impairment loss (reversed) recognised in respect of investment in securities		(11,622,394)	27,881,000
(Gain) loss on disposal of investment in securities		(831,826)	3,979,380
Loss on disposal of property, plant and equipment		167,068	10,060
Gain on disposal of an associate		(230,934)	–
Unrealised (gain) loss on investment in securities		(42,000)	56,997
Interest capitalised in associates written off		–	222,250
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(9,283,197)	(7,667,658)
Increase in other receivables		(157,351)	–
Decrease in inventories		15,976,100	2,755,099
Decrease (increase) in contract in progress		9,518,913	(9,378,826)
(Increase) decrease in accounts receivable and prepayments		(4,188,152)	520,521
Decrease in amounts due from minority shareholders		2,302,587	2,730
Decrease (increase) in amounts due from related companies		4,296,984	(187,021)
Decrease in payments received on accounts		–	(350)
(Decrease) increase in accounts payable and accrued charges		(2,993,985)	2,480,785
(Decrease) increase in amounts due to related companies		(13,035,347)	5,090,413
		<hr/>	<hr/>
Net cash from (used in) operations		2,436,552	(6,384,307)
Overseas tax paid		(171,731)	(596,264)
		<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES		2,264,821	(6,980,571)
INVESTING ACTIVITIES			
Interest received		15,116	134,682
Advance from (to) associates		2,796,719	(13,811,049)
Advance from investee		3,460,560	–
Acquisition of additional interest in a subsidiary		(156,000)	–
Purchase of property, plant and equipment		(143,970)	(84,494)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	24	–	(471,744)
Proceeds on disposal of investment in securities		17,955,874	1,472,620
Proceeds on disposal of property, plant and equipment		4,288	5,467
		<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES		23,932,587	(12,754,518)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2004

	2004	2003
	HK\$	HK\$
FINANCING ACTIVITIES		
Dividends paid/special distribution	–	(35,774)
Interest paid	(313,357)	(273,871)
Repayment of advances from minority shareholders	(18,854,323)	(66,419)
NET CASH USED IN FINANCING ACTIVITIES	(19,167,680)	(376,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,029,728	(20,111,153)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,272,387	21,305,080
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	(29,767)	78,460
CASH AND CASH EQUIVALENTS, END OF YEAR	8,272,348	1,272,387
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	11,790,694	5,362,547
Bank overdrafts	(3,518,346)	(4,090,160)
	8,272,348	1,272,387

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

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.

The principal activities of the Group are property dealing, decoration contractor and trading, provision of corporate management services, and investment and financing.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”), the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the Hong Kong Society of Accountants (“HKSA”). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this SSAP has had no material effect on the results for the current or prior accounting years. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31st March each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1st April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or after 1st April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

Income from property sales is recognised on the execution of a binding sales agreement.

Rental income is recognised on a straight-line basis over the relevant lease term.

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

Income from sale of investment in securities is recognised on a trade date basis.

Revenue from long-term decoration contract is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of construction. The proportion used in calculation is based on the proportion of construction costs incurred to date to estimate total construction costs to completion of the construction after taking into account of foreseeable losses.

Management fee income and consultancy fee income are recognised when the relevant services are rendered.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment, 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:

Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the lease term, and 20 years
Machinery, equipment and motor vehicles	5% – 33 ¹ / ₃ %
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease, if shorter

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets/liabilities of the associates, less any identified impairment loss.

The results of associates 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 associates are stated at cost, as reduced by any identified impairment loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in the investment revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Inventories

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

Contracts in progress

Contracts in progress is stated at cost plus attributable profits, less foreseeable losses and progress payments received.

Impairment

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

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

Taxation

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Foreign currencies

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 income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar are translated at rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Profits and losses arising on consolidation are dealt with in the exchange reserve.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Retirement benefit costs

Payments to the retirement contribution schemes are charged as expenses as they fall due.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

4. TURNOVER

	2004	2003
	HK\$	HK\$
Consultancy fee income	–	3,000,000
Dividend income	–	4,465
Income from decoration contracts	16,168,561	13,100,179
Income from property sales	23,178,315	–
Management fee income	3,172,309	3,230,120
Trading sales	14,718,467	27,576,666
	<u>57,237,652</u>	<u>46,911,430</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Segment information about these businesses is presented below:

2004

	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	Consolidated HK\$
TURNOVER	<u>30,887,028</u>	<u>3,172,309</u>	<u>–</u>	<u>23,178,315</u>	<u>57,237,652</u>
RESULT					
Segment result	<u>(7,166,194)</u>	<u>1,327,562</u>	<u>4,911,484</u>	<u>4,249,315</u>	3,322,167
Unallocated corporate expenses					(11,626,267)
Other operating income					<u>831,169</u>
Loss from operations					(7,472,931)
Finance costs					(313,357)
Loss on deemed disposal of interest in a subsidiary	–	–	–	(4,955,847)	(4,955,847)
Share of results of associates	–	–	(6,369,400)	–	<u>(6,369,400)</u>
Loss before taxation					(19,111,535)
Taxation					<u>(167,703)</u>
Loss before minority interests					<u>(19,279,238)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2004 (Continued)

BALANCE SHEET

	Decoration contractor and trading <i>HK\$</i>	Management and consultancy services <i>HK\$</i>	Investment and financing <i>HK\$</i>	Property dealing <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS					
Segment assets	<u>23,075,184</u>	<u>1,126,465</u>	<u>99,992,770</u>	<u>33,132,946</u>	157,327,365
Interest in associates	–	–	74,758,167	–	74,758,167
Unallocated corporate assets					<u>443,388</u>
Consolidated total assets					<u>232,528,920</u>
LIABILITIES					
Segment liabilities	<u>6,709,786</u>	<u>382,863</u>	<u>15,380,483</u>	<u>15,082,574</u>	37,555,706
Unallocated corporate liabilities					<u>22,562,505</u>
Consolidated total liabilities					<u>60,118,211</u>
OTHER INFORMATION					
Additions to property, plant and equipment	126,954	3,672	5,910	7,434	143,970
Depreciation	91,660	11,471	843,928	2,206,062	3,153,121
Allowances for doubtful debts	287,752	–	6,480,048	–	6,767,800
Allowances for inventories	844,015	–	–	–	844,015
Loss on disposal of property, plant and equipment	<u>57,830</u>	<u>3,730</u>	<u>–</u>	<u>105,508</u>	<u>167,068</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2003

	Decoration contractor and trading <i>HK\$</i>	Management and consultancy services <i>HK\$</i>	Investment and financing <i>HK\$</i>	Property dealing <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	40,676,845	6,230,120	4,465	-	46,911,430
RESULT					
Segment result	(84,874)	50,928	(31,503,377)	(2,432,618)	(33,969,941)
Unallocated corporate expenses					(14,098,286)
Other operating income					1,694,597
Loss from operations					(46,373,630)
Finance costs					(273,871)
Gain on disposal of subsidiaries	610,091	-	-	-	610,091
Share of results of associates	-	-	(15,436,516)	-	(15,436,516)
Loss before taxation					(61,473,926)
Taxation					(361,111)
Loss before minority interests					(61,835,037)

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2003 (Continued)

BALANCE SHEET

	Decoration contractor and trading <i>HK\$</i>	Management and consultancy services <i>HK\$</i>	Investment and financing <i>HK\$</i>	Property dealing <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS					
Segment assets	37,639,849	1,738,887	87,836,016	52,033,736	179,248,488
Interest in associates	–	–	83,167,406	–	83,167,406
Unallocated corporate assets					443,388
Consolidated total assets					262,859,282
LIABILITIES					
Segment liabilities	20,029,756	337,480	27,584,135	8,123,253	56,074,624
Unallocated corporate liabilities					36,042,524
Consolidated total liabilities					92,117,148
OTHER INFORMATION					
Additions to property, plant and equipment	19,836	23,428	41,230	–	84,494
Depreciation and amortisation	140,337	25,263	1,219,224	2,736,386	4,121,210
Allowances for doubtful debts	121,200	–	448,557	–	569,757
Allowances for inventories	2,000,000	–	–	–	2,000,000
Loss on disposal of property, plant and equipment	–	10,060	–	–	10,060
Unrealised loss on investments in securities	–	–	56,997	–	56,997
Interest capitalised in associates written off	–	–	222,250	–	222,250
Impairment loss recognised in respect of investment in securities	–	–	27,881,000	–	27,881,000

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

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

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

	Turnover	
	2004	2003
	HK\$	HK\$
Hong Kong	18,899,040	19,094,693
The PRC	38,338,612	27,816,737
	<u>57,237,652</u>	<u>46,911,430</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Hong Kong	172,733,836	180,196,930	132,864	55,079
The PRC	59,795,084	82,662,352	11,106	29,415
	<u>232,528,920</u>	<u>262,859,282</u>	<u>143,970</u>	<u>84,494</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

6. LOSS FROM OPERATIONS

	2004	2003
	HK\$	HK\$
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	487,590	568,874
Depreciation on property, plant and equipment	3,153,121	4,121,210
Exchange (gain) loss	(296,960)	173,782
Gain on disposal of an associate	(230,934)	–
Interest capitalised in associates written off	–	222,250
Interest income	(15,116)	(134,682)
Loss on disposal of property, plant and equipment	167,068	10,060
Property rental income arising from operating leases less nil (2003: nil) outgoings	(77,097)	–
Rental under operating leases on land and buildings	343,600	1,056,000
Retirement benefits costs	224,402	241,376
Staff costs	<u>9,482,952</u>	<u>10,293,352</u>

7. FINANCE COSTS

	2004	2003
	HK\$	HK\$
Interest on bank overdrafts wholly repayable within five years	<u>313,357</u>	<u>273,871</u>

8. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

No emoluments were paid to directors for both years.

Five Highest Paid Employees

	2004	2003
	HK\$	HK\$
Salaries and other emoluments	2,998,695	2,982,240
Retirement benefits costs	<u>36,000</u>	<u>36,000</u>
	<u>3,034,695</u>	<u>3,018,240</u>
	2004	2003
	No. of employees	
HK\$Nil – HK\$1,000,000	<u>5</u>	<u>5</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

9. TAXATION

	2004	2003
	HK\$	HK\$
The tax charge comprises:		
Hong Kong Profits Tax	–	–
PRC taxation	<u>167,703</u>	<u>361,111</u>
	<u>167,703</u>	<u>361,111</u>

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

During the year, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

The charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2004		2003	
	HK\$	%	HK\$	%
Loss before taxation	<u>(19,111,535)</u>		<u>(61,473,926)</u>	
Tax at the income tax rate	(3,344,519)	17.5	(9,835,828)	16.0
Tax effect of expenses that are not deductible in determining taxable profit	2,237,628	(11.7)	8,233,070	(13.4)
Tax effect of income that is not taxable in determining taxable profit	(2,222,548)	11.6	(119,164)	0.2
Tax effect of tax losses not recognised	3,418,372	(17.9)	1,897,006	(3.1)
Effect of different tax rate of subsidiaries	<u>78,770</u>	<u>(0.4)</u>	<u>186,027</u>	<u>(0.3)</u>
Tax expense and effective tax rate for the year	<u>167,703</u>	<u>(0.9)</u>	<u>361,111</u>	<u>(0.6)</u>

At 31st March 2004, the Group has unused estimated tax losses of approximately HK\$139,302,000 (2003: HK\$119,769,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK\$6,276,000 (2003: HK\$5,626,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

10. BASIC LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss for the year of HK\$21,015,059 (2003: HK\$56,689,304) and on 535,359,258 (2003: 535,359,258) ordinary shares in issue during the year.

No diluted loss has been presented as there were no potential ordinary shares in issue in both years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$</i>	Machinery, equipment and motor vehicles <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
COST					
At 1st April 2003	35,193,525	6,890,852	15,362,230	12,584,645	70,031,252
Exchange adjustment	(37,341)	(1,598)	(2,891)	(2,173)	(44,003)
Additions	–	132,864	11,106	–	143,970
Disposals	–	(56,581)	(1,119,041)	(2,162,839)	(3,338,461)
At 31st March 2004	<u>35,156,184</u>	<u>6,965,537</u>	<u>14,251,404</u>	<u>10,419,633</u>	<u>66,792,758</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS					
At 1st April 2003	30,957,708	6,346,111	4,892,288	10,714,553	52,910,660
Exchange adjustment	(4,294)	(1,254)	(2,220)	(522)	(8,290)
Charge for the year	1,579,843	224,405	497,435	851,438	3,153,121
Eliminated on disposals	–	(44,372)	(1,005,515)	(2,117,218)	(3,167,105)
At 31st March 2004	<u>32,533,257</u>	<u>6,524,890</u>	<u>4,381,988</u>	<u>9,448,251</u>	<u>52,888,386</u>
NET BOOK VALUES					
At 31st March 2004	<u>2,622,927</u>	<u>440,647</u>	<u>9,869,416</u>	<u>971,382</u>	<u>13,904,372</u>
At 31st March 2003	4,235,817	544,741	10,469,942	1,870,092	17,120,592

Land and buildings are situated in the PRC and held under medium-term leases.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment and machinery <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
COST				
At 1st April 2003	8,374,061	1,403,435	4,452,993	14,230,489
Additions	–	–	5,910	5,910
At 31st March 2004	8,374,061	1,403,435	4,458,903	14,236,399
ACCUMULATED DEPRECIATION				
At 1st April 2003	7,576,674	1,109,715	4,230,050	12,916,439
Charge for the year	439,677	111,083	73,168	623,928
At 31st March 2004	8,016,351	1,220,798	4,303,218	13,540,367
NET BOOK VALUES				
At 31st March 2004	357,710	182,637	155,685	696,032
At 31st March 2003	797,387	293,720	222,943	1,314,050

12. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	224,552,753	224,552,753
Shareholders' loans	126,661,038	136,161,038
Amounts due therefrom	190,529,207	181,529,207
Less: Impairment loss	(125,179,917)	(123,601,042)
	416,563,081	418,641,956

The shareholders' loans and the amounts due from subsidiaries are unsecured, interest free and will not be repayable within one year.

The impairment loss mainly represents the write off of investment costs of certain subsidiaries and write down of loans and amounts due therefrom to the recoverable amounts.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

12. INVESTMENT IN SUBSIDIARIES (Continued)

A subsidiary, Shanghai Qiao-Yi Real Estate Co., Ltd., (“Qiao-Yi”), was held by the Group and a PRC minority shareholder (“Party A”) at 80% and 20% respectively. In the previous year Qiao-Yi was undergoing voluntary dissolution. On further negotiation, an agreement was reached on 24th June 2003 between the two parties to continue the joint venture. Both parties agreed:

- (1) To rescind the voluntary dissolution;
- (2) To relinquish their respective claims in the dispute;
- (3) To jointly hold the remaining parcel of land equally;
- (4) To jointly hold the club house equally;
- (5) To continue to sell the completed units in order to repay the shareholders’ loans from both parties. The profit/loss and remaining net assets, excluding the parcel of land and club house mentioned in (3) and (4) above, will be distributed among the shareholders according to the revised shares of 63.4% for the Group and 36.6% for Party A;
- (6) After the distribution of the remaining net assets at the revised respective shares mentioned in (5) above, the memorandum and articles of Qiao-Yi and other related documents will be amended to reflect the equal sharing of the parcel of land and club house as mentioned in (3) and (4) above.

At 31st March 2004, the parcel of land, with net realisable value of HK\$10,650,000, was recorded as inventories and the club house, with net book value of HK\$1,019,342, was recorded as land and buildings. The financial effect of the deemed disposal of interest in the parcel of land and the club house from 80% to 50% and the remaining net assets from 80% to 63.4% amounted to HK\$4,955,847, which was charged to the consolidated income statement.

Particulars of the principal subsidiaries are set out in note 29.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

13. INTEREST IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Share of net assets	59,247,957	65,466,173
Shareholders' loans, less allowances	15,510,210	17,701,233
	<u>74,758,167</u>	<u>83,167,406</u>
	THE COMPANY	
	2004	2003
	HK\$	HK\$
Unlisted share, at cost	1	1
Amount due therefrom, less allowances	9,510,210	9,497,256
	<u>9,510,211</u>	<u>9,497,257</u>

The shareholders' loans and the amounts due from the associates are unsecured, interest free and will not be repayable within one year.

The following table lists only the particulars of the Group's associate at 31st March 2004 which principally affects the results or assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associate	Form of business structure	Country of incorporation and operation	Nominal value of capital contribution	Proportional of nominal value of registered capital held indirectly by the Company	Principal activities
Nanjing Dingshan Garden Hotel Company Ltd.	Incorporated	PRC	US\$25,600,000	45%	Hotel business

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

13. INTEREST IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of Nanjing Dingshan Garden Hotel Company Ltd.

Results for the year

	2004 HK\$	2003 <i>HK\$</i>
Turnover	<u>102,564,313</u>	<u>107,078,526</u>
Loss from ordinary activities before taxation	<u>(14,062,865)</u>	<u>(34,165,556)</u>
Loss from ordinary activities before taxation attributable to the Group	<u>(6,328,289)</u>	<u>(15,374,500)</u>

Financial position

	2004 HK\$	2003 <i>HK\$</i>
Non-current assets	451,749,934	443,512,535
Current assets	39,353,633	37,776,571
Current liabilities	(108,083,786)	(78,110,239)
Non-current liabilities	<u>(248,556,000)</u>	<u>(254,475,000)</u>
Net assets	<u>134,463,781</u>	<u>148,703,867</u>
Net assets attributable to the Group	<u>60,508,701</u>	<u>66,916,740</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

14. INVESTMENT IN SECURITIES

THE GROUP

	Trading securities		Other securities		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed in Hong Kong	84,000	42,058	25,386,600	14,595,000	25,470,600	14,637,058
Unlisted	-	-	4,349,000	4,349,000	4,349,000	4,349,000
	<u>84,000</u>	<u>42,058</u>	<u>29,735,600</u>	<u>18,944,000</u>	<u>29,819,600</u>	<u>18,986,058</u>
Market value of listed securities:						
Hong Kong	84,000	42,058	25,386,600	14,595,000	25,470,600	14,637,058
Carrying amount analysed for reporting purposes as:						
Current	84,000	42,058	-	-	84,000	42,058
Non-current	-	-	29,735,600	18,944,000	29,735,600	18,944,000
	<u>84,000</u>	<u>42,058</u>	<u>29,735,600</u>	<u>18,944,000</u>	<u>29,819,600</u>	<u>18,986,058</u>

During the year ended 31st March 2003, an impairment loss of HK\$27,881,000 was recognised to income statement by crediting the investment revaluation reserve. The amount represented the write off of investment costs of certain other securities to their recoverable amounts.

15. OTHER RECEIVABLES

THE GROUP AND THE COMPANY

The amounts are unsecured, interest free and have no fixed repayment term.

16. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$	HK\$
Raw materials and consumables	250,557	2,617,988
General merchandise	2,376,952	2,447,161
Properties held for sale	25,082,413	39,464,888
	<u>27,709,922</u>	<u>44,530,037</u>

The cost of inventories recognised as an expense during the year was HK\$30,884,779 (2003: HK\$33,305,046).

At the balance sheet date, all of the general merchandise and properties held for sale were carried at net realisable value.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

17. CONTRACTS IN PROGRESS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Cost incurred to date plus estimated attributable profits less foreseeable losses	29,268,740	23,027,702
Less: Progress payments received	(29,268,740)	(13,508,789)
	—	9,518,913

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK\$8,887,404 (2003: HK\$10,555,578). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Aged:		
0 to 60 days	2,565,101	8,264,088
61 to 90 days	516,764	516,418
More than 90 days	5,805,539	1,775,072
	8,887,404	10,555,578

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade creditors of HK\$9,446,337 (2003: HK\$2,911,847). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Aged:		
0 to 60 days	278,197	1,194,022
61 to 90 days	10,225	282,847
More than 90 days	9,157,915	1,434,978
	9,446,337	2,911,847

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

20. LOANS FROM MINORITY SHAREHOLDERS

THE GROUP

The loans are unsecured, interest free and the amounts not repayable within one year are classified as non-current liabilities.

21. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April 2002, 31st March 2003 and 31st March 2004	8,500,000,000	850,000,000
Issued and fully paid:		
At 1st April 2002, 31st March 2003 and 31st March 2004	535,359,258	53,535,926

22. RESERVES

	Capital redemption reserve <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Deficit <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st April 2002	2,382,000	396,817,696	(317,453,960)	81,745,736
Net loss for the year	—	—	(25,877,976)	(25,877,976)
At 31st March 2003 and 1st April 2003	2,382,000	396,817,696	(343,331,936)	55,867,760
Net loss for the year	—	—	(13,939,776)	(13,939,776)
At 31st March 2004	2,382,000	396,817,696	(357,271,712)	41,927,984

As at 31st March 2004, the Company's reserves available for distribution in accordance with The Bermuda Companies Act consist of contributed surplus and deficit of aggregate of HK\$39,545,984 (2003: HK\$53,485,760).

The contributed surplus comprises the difference of HK\$66,889,494 between the consolidated shareholders' funds of Parkview Property Development Limited (formerly known as Ming Ren Investment and Enterprises Limited) as at 24th November 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date and HK\$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK\$1 to HK\$0.10 of the Company at the time of the capital restructuring of the Group as at 7th November 2001. Under the Bye-laws of the Company, distributions may be made out of contributed surplus. During the year ended 31st March 2002, HK\$870,494,154 were distributed out of the contributed surplus.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

23. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest free and the amounts not repayable within one year are classified as non-current liabilities.

24. DISPOSAL OF SUBSIDIARIES

	2004	2003
	HK\$	HK\$
Property, plant and equipment	—	282,752
Inventories	—	135,555
Accounts receivable and prepayments	—	1,486,463
Bank balances and cash	—	471,744
Accounts payable and accrued charges	—	(1,950,117)
Loan from minority shareholder	—	(1,400,000)
	<hr/>	<hr/>
Net liabilities disposed of	—	(973,603)
Goodwill	—	1,404,033
Minority interests	—	(1,040,521)
Gain on disposal	—	610,091
	<hr/>	<hr/>
Satisfied by cash consideration	—	—
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow arising on disposal:		
Bank balances and cash disposed of	—	(471,744)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the last year made no significant contribution to the Group in respect of the cash flows, turnover and net loss attribution to the Group's loss from operations.

25. COMMITMENTS

Lease commitments

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for terms of 2 years.

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Within one year	180,000	264,000
In the second to fifth year inclusive	45,000	—
	<hr/>	<hr/>
	225,000	264,000
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

25. COMMITMENTS (Continued)

Lease commitments (Continued)

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

At the balance sheet, the Group and the Company did not have any future minimum lease payments contracted with tenants.

26. RETIREMENT BENEFITS SCHEMES

- (a) Effective 1st December 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK\$224,402 (2003: HK\$241,376).
- (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 total amount contributed by the Group to the scheme and charged to the income statement was HK\$36,941 (2003: NIL).

27. CONTINGENT LIABILITIES

	THE COMPANY	
	2004	2003
	HK\$	HK\$
Corporate guarantee given to banks in respect of banking facilities utilised by a subsidiary	<u>3,518,346</u>	<u>10,692,034</u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

28. RELATED PARTY TRANSACTIONS

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

	Notes	Associates		Related companies (iv)	
		2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Management income received from	<i>i</i>	<u>–</u>	<u>1,322,400</u>	<u>–</u>	<u>–</u>
Building management fee paid to	<i>ii</i>	<u>–</u>	<u>–</u>	<u>101,016</u>	<u>101,016</u>
General expenses paid to	<i>ii</i>	<u>–</u>	<u>–</u>	<u>3,139,481</u>	<u>3,722,668</u>
Amount due from	<i>iii</i>	<u>50,632,969</u>	<u>51,238,665</u>	<u>–</u>	<u>4,296,984</u>
Amount due to	<i>iii</i>	<u>–</u>	<u>–</u>	<u>16,539,050</u>	<u>29,574,397</u>
Loans to	<i>iii</i>	<u>15,510,210</u>	<u>17,701,233</u>	<u>–</u>	<u>–</u>

Notes:

- (i) All such income was determined by the Company's directors based on estimated market value.
- (ii) All these expenses were determined by the Company's directors based on estimated market value.
- (iii) The amounts are unsecured, interest free and the amounts repayable within one year are classified as current assets/liabilities. Loans to associates are net of allowances of HK\$2,957,123 (2003: HK\$2,957,123).
- (iv) Certain directors of the related companies are also the Company's directors and two directors of a related company are the children of a Company's director.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31st March 2004 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Place/ country of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
China Garden Limited	British Virgin Islands	Ordinary	US\$30	–	70	Investment in a limited partnership
Dragon Spirit Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Gallaria Furnishings International Limited (<i>note a</i>)	Hong Kong	Ordinary	HK\$2,000,020	–	100	General trading
Hebo Urge Company Limited	Hong Kong	Ordinary	HK\$2	100	–	Painting owner
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK\$10,000,000	–	100	Investment holding
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Personnel management
Interlink Associates Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Jiangsu Parkview Hotels and Resorts Limited (<i>note b</i>)	British Virgin Islands	Ordinary	US\$100	–	55	Hotel management and consultancy services
Newmeadow Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2004

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Parkview International Trading Limited	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US\$4	100	–	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK\$1,000	100	–	Investment holding and capital market investment
Shanghai Parkview Real Estate Management Co., Ltd. (note b)	The People's Republic of China	N/A	US\$500,000	–	55	Property management
Shanghai Qiao-Yi Real Estate Co., Ltd. ("Qiao-Yi") (notes (b) and (d))	The People's Republic of China	N/A	US\$10,000,000	–	80	Property development
張家港保稅區港麗國際 貿易有限公司 (note c)	The People's Republic of China	N/A	US\$200,000	–	100	Manufacturing of household and kitchen appliances and interior wooden-made decoration

Notes:

- (a) Operating internationally.
- (b) Sino-foreign equity joint ventures and operating in the People's Republic of China.
- (c) Wholly foreign owned enterprise and operating in the People's Republic of China.
- (d) As mentioned in note 12, the parcel of land and a club house were jointly held by the Group and the PRC minority shareholder and the remaining net assets of Qiao-Yi were shared by the Group and the PRC minority shareholder at 63.4% and 36.6% respectively.

None of the subsidiaries had issued any debt securities.

Five Years Financial Summary

FOR THE YEAR ENDED 31ST MARCH 2004

	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2002 <i>HK\$</i>	2003 <i>HK\$</i>	2004 <i>HK\$</i>
CONSOLIDATED RESULTS					
Turnover	<u>340,361,574</u>	<u>158,008,402</u>	<u>78,542,384</u>	<u>46,911,430</u>	<u>57,237,652</u>
Net profit (loss) for the year	<u>61,492,390</u>	<u>(58,111,407)</u>	<u>76,975,467</u>	<u>(56,689,304)</u>	<u>(21,015,059)</u>
Earnings (loss) per share	<u>11.49 cents</u>	<u>(10.85 cents)</u>	<u>14.38 cents</u>	<u>(10.59 cents)</u>	<u>(3.93 cents)</u>
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	<u>1,734,979,421</u>	<u>1,482,302,435</u>	<u>298,192,975</u>	<u>262,859,282</u>	<u>232,528,920</u>
Total liabilities and minority interests	<u>220,950,229</u>	<u>307,320,074</u>	<u>95,794,173</u>	<u>97,810,856</u>	<u>72,768,318</u>
Shareholders' funds	<u>1,514,029,192</u>	<u>1,174,982,361</u>	<u>202,398,802</u>	<u>165,048,426</u>	<u>159,760,602</u>