



Far East Hotels and Entertainment Limited

Stock Code : 37



Annual Report
2010

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In the event of any error or omission in translation of this Annual Report, the English text shall be taken as correct.

Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Deacon Te Ken Chiu, J.P. (*Chairman*)

Derek Chiu, B.A. (*Managing Director and Chief Executive*)

Desmond Chiu, B.A. (*Deputy Managing Director*)

Margaret Chiu, LL.B.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Tan Sri Dato' David Chiu, B.Sc.

Dennis Chiu, B.A.

Duncan Chiu, B.Sc.

Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Alternate Director

Chan Chi Hing (*Alternate Director to Deacon Te Ken Chiu*)

COMPANY SECRETARY

Tang Sung Ki, CPA, FCCA

SOLICITORS

Woo Kwan Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

AUTHORISED REPRESENTATIVES

Derek Chiu, B.A.

Tang Sung Ki, CPA, FCCA

AUDIT COMMITTEE

Ip Shing Hing, J.P.
Duncan Chiu, B.Sc.
Ng Wing Hang Patrick
Choy Wai Shek Raymond, MH, J.P.

REMUNERATION COMMITTEE

Derek Chiu, B.A.
Ng Wing Hang Patrick
Choy Wai Shek Raymond, MH, J.P.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Public Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED & PRINCIPAL OFFICE

Suite 2308, 23rd Floor, Office Tower,
Convention Plaza, 1 Harbour Road,
Wanchai, Hong Kong

SHARE REGISTRARS

Tricor Standard Limited
26/F., Tesbury Centre,
28 Queen's Road East, Hong Kong

STOCK EXCHANGE

The Shares of the Company are listed on
The Stock Exchange of Hong Kong Limited

STOCK CODE

0037

WEBSITE

www.tricor.com.hk/webservice/00037

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

Mr. Deacon Te Ken Chiu, J.P. (Chairman)

Aged 85. He was appointed as a Director and Chairman of the Company in 1979. He is the founder of the Far East Group. He is also the Chairman of Far East Consortium International Limited and Far East Holdings International Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. Mr. Chiu was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966. Mr. Chiu is the husband of Madam Chiu Ju Ching Lan and the father of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Mr. Derek Chiu, B.A. (Managing Director & Chief Executive)

Aged 44. He joined and was appointed as Director of the Company in 1989. He is also a Non-executive Director of Far East Holdings International Limited. He has extensive experience in the operation of amusement parks and entertainment business. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Desmond Chiu and Duncan Chiu.

Mr. Desmond Chiu, B.A. (Deputy Managing Director)

Aged 43. He was appointed as director and Deputy Managing Director of the Company on 6 May 2010. He graduated from the University of Cambridge, the United Kingdom. He is also a Non-executive Director of Far East Holdings International Limited. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

Ms. Margaret Chiu, LL.B.

Aged 53. She joined and was appointed as Director of the Company in 1989. She graduated with law degree from the University of Buckingham, the United Kingdom. She has extensive experience in entertainment, television and motion picture business in Hong Kong, the People's Republic of China and overseas. She is the daughter of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the sister of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Non-Executive Directors

Madam Chiu Ju Ching Lan, J.P.

Aged 70. She joined the Company and was appointed as Director in 1979. She is also a Non-executive Director of Far East Consortium International Limited. Since 1975, she is the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was Lady Chairman of Yan Chai Hospital for 1977/78. She is the founder and Honorary Chairman of New Territories Women's and Juveniles Welfare Association. She is a committee member and Supervisor of Ju Ching Chu Secondary School and the Chairman of Kowloon Women's Welfare Club. She is the member of Shanghai Standing Committee Chinese People's Political Consultative Conference since 1982. Since 1997, she is also the Honorary Vice-President of Hong Kong Federation of Women. She is the wife of Mr. Deacon Te Ken Chiu and the mother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Mr. Dick Tat Sang Chiu, M.A.

Aged 59. He joined the Far East Group in 1974 and was appointed as Director in 1979. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Tan Sri Dato' David Chiu, B.SC.

Aged 56. He joined the Far East Group in 1975 and was appointed as Director of the Company in 1979. He holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He has over 30 years' experience in the property development and related business. Since 1978, he had been the Managing Director of Far East Consortium Limited (the predecessor of Far East Consortium International Limited). He was appointed as Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited on 8th December 1994 and 8th October 1997 respectively. Far East Consortium International Limited is listed on the Hong Kong Stock Exchange. He is also a Non-executive Director of Far East Holdings International Limited.

In 1987, Tan Sri Dato' David Chiu founded Malaysia Land Holdings Berhad (Mayland Group) in Malaysia. Over the years, Mayland Group has extensive development and become one of the largest real estate developers in Malaysia. He is also the Chairman and substantial shareholder of Tokai Kanko Company Limited, which is listed on the Tokyo Stock Exchange. In regard to his devotion to the community services, he is a trustee member of The Better Hong Kong Foundation and a committee member of Mid-Autumn Festival Celebration – People & Forces. In Malaysia, he was first conferred an honorary award which carried the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri" by His Majesty of Malaysia. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Profile of Directors

Mr. Dennis Chiu, B.A.

Aged 51. He joined the Company and was appointed as Director in 1979. He has been actively involved in the business development in the People's Republic of China, Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and an Executive Director of Far East Holdings International Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Mr. Duncan Chiu, B.SC.

Aged 35. He joined and was appointed as Director of the Company in 1996. He graduated with a bachelor's degree in business administration from Pepperdine University of California, USA in 1996. He is also the Managing Director and Chief Executive Officer of Far East Holdings International Limited and serves as Non-executive Director of Chinasoft International Limited. He also serves as Deputy Chairman of The Chamber of Hong Kong Listed Companies, Chairman of Hong Kong & Mainland Software Industry Cooperation Association, Vice President of Innovation & Technology Association, Committee Member of All-China Youth Federation, Vice Chairman of Henan Provincial Youth Federation, Member of The Chinese People's Political Consultative Conference, Shanghai Committee and Convenor of Hong Kong Digicreate Alliance. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Desmond Chiu.

Independent Non-Executive Directors

Mr. Ip Shing Hing, J.P.

Aged 55. Mr. Ip was appointed as an Independent Non-executive Director of the Company on 31 March 1997. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Arts in Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He has been a practising solicitor in Hong Kong for more than 20 years. Mr. Ip is an independent non-executive director of Binhai Investment Limited.

Mr. Ng Wing Hang Patrick

Aged 57. Mr. Ng was appointed as an Independent Non-executive Director of the Company on 28 September 2004. He is a practising Certified Public Accountant in Hong Kong and is the Managing Director of Messrs. Pan-China (H.K.) CPA Limited, Certified Public Accountants. Mr. Ng also serves as independent non-executive director on the board of another listed company in Hong Kong, namely, Shenyin Wanguo (H.K.) Limited.

Mr. Choy Wai Shek Raymond, MH, J.P.

Aged 61. Mr. Choy was appointed as an Independent Non-executive Director of the Company on 28 September 2004. He was the Chairman of Sham Shui Po District Council, Hong Kong for the year 1991 to 1994, a member of Hong Kong Affairs Adviser for the year 1994 to 1997, a member of Hong Kong Broadcasting Authority for the year 1995 to 1998. He is now a Vice-chairman of Occupational Safety And Health Council, member of Energy Advisory Committee, member of Consumer Council, a member of CPPCC Guangzhou Committee, a director of Chinese General Chamber Of Commerce.

Alternate Director

Mr. Chan Chi Hing

Aged 47. He was appointed as alternate Director to Mr. Deacon Te Ken Chiu on 17 May 2003. He is the Group Chief Operating Officer of Hong Kong for Far East Consortium International Limited ("FECIL"), FECIL is a listed company in Hong Kong. He is a director of various subsidiaries of that Group. He is responsible for the Hong Kong, Macau and the Mainland based activities with emphasis on the commercial management, hotel and property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses in the Mainland. He joined FECIL in 1990 as the Group Chief Accountant and promoted as the Group Financial Controller in 2002. From 1990 to 2003, he was responsible for that Group's financial, treasury and accounting functions. He has extensive experience in accounting and auditing of Hong Kong listed companies. In June 2007, he was appointed as an independent non-executive director of Hidili Industry International Development Limited, a Hong Kong listed company.

Before joining the FECIL Group, he was an audit manager of a big four international accounting firm with over ten years audit experience.

Managing Director & Chief Executive's Statement

RESULTS

I report to the shareholders that the audited consolidated profit of the Group attributable to shareholders for the year ended 31 March 2010 amounted to HK\$8,711,838 (2009: loss of HK\$77,993,682).

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

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has decreased by 5% compared with last corresponding year. In 2010, our Sales and Marketing Team will keep extending the China market, and exploring more markets besides regular clients that we are currently having. Sales team will also manage the room rate frequently during the high-low season in order to get better revenue. Furthermore, sales team will not only focus on the local meeting and conference groups, but also hold more events and functions at the hotel to gain more publicity and profits. Advertisings, seasonal promotions, and joint venture with other brands or companies will also keep going on in order to raise the income.

The turnover of Beijing Warwick Suite Hotel remained stable compared with last corresponding year. The sales team will put more emphasis on both domestic and overseas frequent independent traveler and Tour Operator, as well as sales through hotel booking website. More competitive packages and prices will be offered to increase the occupancy rate and revenue for the coming year.

In securities investment and trading, the Group has recorded a profit of approximately HK\$4.60 million.

During the year, the Group had disposed some of its investment properties and recognized a gain of approximately HK\$5.5 million. Further at the end of the reporting date, there was an increase in fair value of investment properties of approximately HK\$20,300,000 as a result of the turnaround of the property market.

In October 2009, the Company entered into a Joint Venture Agreement with Mr. Derek Chiu, a director of the Company, for the formation of a Joint Venture Company (the "JV Company"). The JV Company is owned by the Company as to 50% and by Mr. Derek Chiu as to 50%. The JV Company has acquired the property located in Yuen Long, New Territories from Mr. Derek Chiu. The formation of the JV Company can increase the land portfolio of the Group and enable the Group to have adequate land reserve for future development.

The Group will from time to time seek for investment opportunity that can provide investment potential and broaden the income base of the Group.

EMPLOYEES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

FINANCE ACTIVITIES

At 31 March 2010, the Group had bank credit facilities amounting to approximately HK\$73,293,000 (2009: HK\$86,963,000), of which approximately HK\$67,793,000 (2009: HK\$83,959,000) were utilised. These facilities, other than HK\$3,500,000 which was unsecured, were secured by legal mortgages over the Group's properties and bank deposits.

At 31 March 2010, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2010 amounted to approximately HK\$296 million (2009: approximately HK\$286 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2010 is 23% (2009: 29%).

On behalf of the Board of Directors, I would like to extend my sincere thanks to all our shareholders for their continued support, and to our staff for their dedication, loyalty and service.

Derek Chiu

Managing Director & Chief Executive

Hong Kong, 16 July 2010

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries, associates and jointly controlled entity are set out in notes 17, 18 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 22.

The directors do not recommend the payment of dividend and propose that profit for the year be retained.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 36 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group at 31st March, 2010 are set out on page 93 of the annual report.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

Executive directors

Mr. Deacon Te Ken Chiu (*Chairman*)

Mr. Derek Chiu (*Managing Director and Chief Executive*)

Mr. Desmond Chiu (*Deputy Managing Director*)

(Appointed on 6th May, 2010)

Ms. Margaret Chiu

Non-executive directors

Madam Chiu Ju Ching Lan

Mr. Dick Tat Sang Chiu

Mr. David Chiu

Mr. Dennis Chiu

Mr. Duncan Chiu

Independent non-executive directors

Mr. Ip Shing Hing

Mr. Ng Wing Hang Patrick

Mr. Choy Wai Shek Raymond

Alternate director

Mr. Chan Chi Hing (*Alternate to Mr. Deacon Te Ken Chiu*)

In accordance with Articles 78 and 79 of the Company's Articles of Association, one-third of the Directors shall retire from office and, being eligible, offer themselves for re-election.

In accordance with Articles 78 and 79 of the Company's Articles of Association, Madam Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu, Mr. Dennis Chiu and Mr. Duncan Chiu shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his or her annual retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considers the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the directors of the Company are set out on pages 4 to 7 of the annual report.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2010, the interests and short positions of the directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Directors' interest in shares and underlying shares of the Company

Name of director	Number of issued ordinary shares held			Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Deacon Te Ken Chiu	12,491,424	–	108,901,052 (Note 1)	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	–	78,430,299 (Note 2)	90,824,299	18.58%
Madam Chiu Ju Ching Lan	188,000	–	–	188,000	0.04%
Mr. Dick Tat Sang Chiu	12,172,800	–	22,277,033 (Note 3)	34,449,833	7.05%
Mr. David Chiu	3,144,627	–	–	3,144,627	0.64%
Ms. Margaret Chiu	676,240	–	5,000,000 (Note 4)	5,676,240	1.16%

Notes:

- (1) Of the 108,901,052 shares, (i) 100,939,842 shares were held by various private companies wholly owned by Mr. Deacon Te Ken Chiu of which 72,182,400 shares were held by Achiemax Limited; (ii) 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited; and (iii) 7,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Holdings International Limited. Mr. Deacon Te Ken Chiu is a controlling shareholder of these companies.
- (2) The 78,430,299 shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu.
- (3) The 22,277,033 shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.
- (4) The 5,000,000 shares were held by a private company wholly owned by Ms. Margaret Chiu.

(b) Directors' interest in shares and underlying shares of associated corporation

Name of director	Nature of interests	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share capital of associated corporation
Mr. Derek Chiu	Long Position	Sino Noble Development Limited	50	50%

Sino Noble Development Limited is a jointly controlled entity of the Company which the Company held 50% of the issued share capital.

(c) Share options of the Company

At an extraordinary general meeting of the Company held on 1st June, 2007, an ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by shareholders. Share options granted under the scheme during the year and as at 31st March, 2010 were as follows:

Category of Grantee	Number of Options				Exercise Price HK\$	Grant date	Exercisable period	
	Held at 1st April, 2009	Granted during the year	Exercised during the year	Held at 31st March, 2010			from	to
Independent non-executive directors								
Mr. Ip Shing Hing	-	1,000,000	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Mr. Ng Wing Hang Patrick	-	1,000,000	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Mr. Choy Wai Shek Raymond	-	1,000,000	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Aggregate for employees								
	-	5,000,000	-	5,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
	-	1,500,000	-	1,500,000	0.265	24/02/2010	24/02/2010	23/02/2020
	-	9,500,000	-	9,500,000				

Save as disclosed above, as at 31st March, 2010, none of the directors nor the Company's chief executive nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies.

Directors' Report

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 46 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options disclosed above, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The title of certain leasehold land and buildings owned by a subsidiary is registered in the name of a company controlled by Mr. Deacon Te Ken Chiu and his family (the "Chiu Family") as trustee for the said subsidiary.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 31st March, 2010, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Achiemax Limited (Note 1)	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. (Note 2)	Beneficial owner	78,430,299	16.04%

Notes:

- Mr. Deacon Te Ken Chiu and Mr. Dennis Chiu are directors of Achiemax Limited.
- Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 31st March, 2010 and so far as is known to the directors or chief executive of the Company, there was no other person (other than a director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for less than 30% of the total sales of the Group in the year.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 17 to 20 of the annual report.

AUDIT COMMITTEE

The Company's audit committee comprises of Independent Non-executive Directors and Non-executive Directors.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

EMOLUMENT POLICY

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The Company has adopted a share option scheme as an incentive to directors and eligible participants and other consultants, details of the scheme is set out in note 46 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there was not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st March, 2010.

AUDITOR

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

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 16 July 2010

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2010.

THE BOARD OF DIRECTORS

The Board’s primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board comprises thirteen Directors, whose biographical details are set out in the “Profile of the Directors” of this Annual Report. Four of the Directors are executive (one of which was appointed on 6 May 2010), five are non-executive, three are independent non-executive and one is alternate. The eight non-executive Directors have a broad range of financial, regulatory and commercial experience and skills, which contribute to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Report of Directors of this Annual Report for the composition of the Board.

The posts of Chairman and Managing Director & Chief Executive are held separately by Mr. Deacon Te Ken Chiu and Mr. Derek Chiu respectively and their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for formulating and setting Group strategies and policies in conjunction with the Board.

The Managing Director & Chief Executive is responsible for managing the Group strategic initiatives, investor relations, corporate and investor communications, mergers/acquisitions and financing.

Pursuant to the requirement of the Listing Rules, the Company has received confirmation from all three independent non-executive Directors of their independence from the Company and considers them to be independent.

Corporate Governance Report

The Board met on four occasions during the year ended 31 March 2010. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Deacon Te Ken Chiu (<i>Chairman</i>)	0/4	0%
Derek Chiu (<i>Managing Director and Chief Executive</i>)	4/4	100%
Margaret Chiu	0/4	0%
Non-executive Directors		
Chiu Ju Ching Lan	0/4	0%
Dick Tat Sang Chiu	0/4	0%
Tan Sri Dato' David Chiu	0/4	0%
Dennis Chiu	0/4	0%
Duncan Chiu	3/4	75%
Independent Non-executive Directors		
Ip Shing Hing	3/4	75%
Ng Wing Hang Patrick	3/4	75%
Choy Wai Shek Raymond	2/4	50%
Alternate Director		
Chan Chi Hing (<i>Alternate Director to Deacon Te Ken Chiu</i>)	0/4	0%

CORPORATE GOVERNANCE

The Board confines itself to making broad policy decisions, such as the Group's overall strategies, policies and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established Audit Committee and Remuneration Committee in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010, with deviations from code provision A.4.1 of the Code in respect of the service term of Directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 of the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, the Auditor of the Company received approximately HK\$800,000 for audit service (2009: approximately HK\$800,000).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 March 2010.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The Statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this Annual Report.

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of reference of the Audit Committee are consistent with the provisions set out in the relevant section of the Code.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the financial statements. The Audit Committee comprises three independent non-executive directors, namely, Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and one non-executive director, Mr. Duncan Chiu.

Corporate Governance Report

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group audit.

The Group's interim report for the six months ended 30 September 2009 and the annual report for the year ended 31 March 2010 have been reviewed by the Audit Committee, and with recommendation to the Board for approval. During the financial year ended 31 March 2010, two meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

	Number of meetings attended	Attendance rate
Ip Shing Hing	2/2	100%
Ng Wing Hang Patrick	2/2	100%
Choy Wai Shek Raymond	2/2	100%
Duncan Chiu	1/2	50%

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive of the Company, Mr. Derek Chiu. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the Code. No Director is involved in deciding his own remuneration.

During the financial year ended 31 March 2010, one meeting was held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

	Number of meetings attended	Attendance rate
Derek Chiu	1/1	100%
Ng Wing Hang Patrick	1/1	100%
Choy Wai Shek Raymond	1/1	100%

Deloitte.

德勤

TO THE MEMBERS OF FAR EAST HOTELS AND ENTERTAINMENT LIMITED (incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 92, which comprise the consolidated and Company's statements of financial position as at 31st March, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16th July, 2010

22 Consolidated Statement of Comprehensive Income

For the Year ended 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
Revenue	6	26,938,036	29,138,783
Cost of sales		(30,262,380)	(30,325,761)
Gross loss		(3,324,344)	(1,186,978)
Dividend income from held-for-trading investments		311,843	400,700
Increase (decrease) in fair value of held-for-trading investments		3,803,631	(21,675,986)
Other income		416,121	890,640
Increase (decrease) in fair value of investment properties	15	25,804,748	(38,992,202)
Provision for onerous contracts	26	–	(3,706,000)
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss		540,425	(42,790)
Administrative expenses		(16,122,951)	(17,167,601)
Loss on disposal of a subsidiary	42	(52,251)	–
Finance costs	7	(1,632,787)	(2,254,762)
Share of results of associates		838,587	390,607
Share of result of a jointly controlled entity		(64,492)	–
Profit (loss) before taxation	8	10,518,530	(83,344,372)
Tax (charge) credit	11	(1,806,692)	5,350,690
Profit (loss) for the year		8,711,838	(77,993,682)
Other comprehensive expense for the year			
Exchange differences arising on translation of foreign operations		(110,446)	(589,975)
Total comprehensive income (expenses) for the year		8,601,392	(78,583,657)
EARNINGS (LOSS) PER SHARE	12		
Basic		1.78 cents	(15.95) cents
Diluted		1.78 cents	N/A

Consolidated Statement of Financial Position

At 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	94,794,240	101,628,623
Paintings	14	4,220,000	3,800,000
Investment properties	15	99,881,420	104,022,140
Prepaid lease payments	16	973,432	1,001,448
Interests in associates	18	1,764,974	1,926,387
Interest in a jointly controlled entity	19	565,186	–
Loan to a jointly controlled entity	20	8,432,315	–
Available-for-sale investments	21	159,188,314	159,188,314
		369,819,881	371,566,912
CURRENT ASSETS			
Prepaid lease payments	16	28,016	28,016
Held-for-trading investments	22	13,956,410	10,195,070
Inventories	23	507,469	414,450
Trade and other receivables	24	305,493	3,407,945
Deposits and prepayment		1,990,008	2,506,804
Deposits for acquisition of properties	26	–	4,844,170
Amount due from an associate	27	203,562	203,562
Amount due from a related company	28	–	420,716
Pledged bank deposits	29	2,135,306	2,132,323
Bank balances and cash	29	4,145,215	2,040,796
		23,271,479	26,193,852
CURRENT LIABILITIES			
Trade and other payables	30	9,635,241	7,305,296
Deposits received		3,465,706	3,153,914
Amounts due to directors	32	–	370,000
Amounts due to associates	27	1,200,381	385,381
Amounts due to related companies	28	434,516	315,192
Amount due to a minority shareholder	33	4,039,599	3,344,671
Provision for onerous contracts	26	–	3,706,000
Bank borrowings – due within one year	34	9,443,212	9,064,231
Financial liabilities at fair value through profit or loss		–	540,425
Bank overdrafts	34	–	2,495,979
		28,218,655	30,681,089
NET CURRENT LIABILITIES			
		(4,947,176)	(4,487,237)
		364,872,705	367,079,675

24 Consolidated Statement of Financial Position

At 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
CAPITAL AND RESERVES			
Share capital	35	48,884,268	48,884,268
Reserves		247,385,400	237,350,345
		296,269,668	286,234,613
NON-CURRENT LIABILITIES			
Deferred taxation	37	8,197,754	6,391,062
Provision for long service payments	38	2,055,013	2,055,013
Bank borrowings-due after one year	34	58,350,270	72,398,987
		68,603,037	80,845,062
		364,872,705	367,079,675

The consolidated financial statements on pages 22 to 92 were approved and authorised for issue by the Board of Directors on 16th July, 2010 and are signed on its behalf by:

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Company Statement of Financial Position

At 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,267,221	1,496,165
Paintings	14	4,220,000	3,800,000
Investments in subsidiaries	17	77,826,669	77,368,701
Interests in associates	18	1	1
Interest in a jointly controlled entity	19	629,678	–
Amounts due from subsidiaries	25	121,382,970	136,310,215
Loan to a jointly controlled entity	20	8,432,315	–
Available-for-sale investments	21	157,026,351	157,026,351
		370,785,205	376,001,433
CURRENT ASSETS			
Held-for-trading investments	22	460,000	158,000
Other receivables		183,208	3,256,788
Deposits and prepayment		373,708	490,455
Amounts due from subsidiaries	25	8,343,707	18,413,793
Amount due from an associate	27	203,562	203,562
Amount due from a related company	28	–	420,716
Pledged bank deposits	29	2,002,643	2,000,715
Bank balances and cash	29	2,524,545	168,410
		14,091,373	25,112,439
CURRENT LIABILITIES			
Other payables	30	1,507,857	1,341,686
Amounts due to directors	32	–	370,000
Amounts due to subsidiaries	31	2,026,581	780,380
Amounts due to related companies	28	434,516	315,192
Bank borrowings – due within one year	34	6,740,000	6,740,000
Bank overdrafts	34	–	2,495,979
		10,708,954	12,043,237
NET CURRENT ASSETS			
		3,382,419	13,069,202
		374,167,624	389,070,635

Company Statement of Financial Position

At 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
CAPITAL AND RESERVES			
Share capital	35	48,884,268	48,884,268
Reserves	36	304,126,456	315,789,467
		353,010,724	364,673,735
NON-CURRENT LIABILITIES			
Provision for long service payments	38	1,176,900	1,176,900
Bank borrowings – due after one year	34	19,980,000	23,220,000
		21,156,900	24,396,900
		374,167,624	389,070,635

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2010

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Capital redemption reserve HK\$ (Note 1)	Property revaluation reserve HK\$	Translation reserve HK\$	Special reserve HK\$ (Note 2)	Accumulated losses HK\$	Total HK\$
At 1st April, 2008	48,884,268	210,865,965	-	28,990,000	2,938,532	(3,320,491)	89,445,045	(12,985,049)	364,818,270
Loss for the year	-	-	-	-	-	-	-	(77,993,682)	(77,993,682)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(589,975)	-	-	(589,975)
Total comprehensive expenses for the year	-	-	-	-	-	(589,975)	-	(77,993,682)	(78,583,657)
Transfer prior year loss to special reserve	-	-	-	-	-	-	(5,958,124)	5,958,124	-
At 31st March, 2009	48,884,268	210,865,965	-	28,990,000	2,938,532	(3,910,466)	83,486,921	(85,020,607)	286,234,613
Profit for the year	-	-	-	-	-	-	-	8,711,838	8,711,838
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(110,446)	-	-	(110,446)
Total comprehensive (expenses) income for the year	-	-	-	-	-	(110,446)	-	8,711,838	8,601,392
Shares-based payment expenses	-	-	1,433,663	-	-	-	-	-	1,433,663
Transfer prior year loss to special reserve	-	-	-	-	-	-	(28,776,650)	28,776,650	-
At 31st March, 2010	48,884,268	210,865,965	1,433,663	28,990,000	2,938,532	(4,020,912)	54,710,271	(47,532,119)	296,269,668

Notes

- The capital redemption reserve represents the repurchase of shares of HK\$1.00 each of the Company on The Stock Exchange of Hong Kong Limited during the financial year of 1994/1995, 1995/1996 and 1997/1998. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to retained earnings.
- The special reserve arose as a result of the capital reduction of HK\$439,958,407 took effect in 2007/2008. An amount of HK\$221,897,828 of the total amount was applied towards writing off the unconsolidated accumulated losses of the Company as at 31st March, 2006, and HK\$100,000,000 was transferred to a special reserve. The remaining balance of HK\$118,060,579 was credited to the share premium account of the Company. The Company is permitted to utilise the special reserve sum of HK\$100,000,000 for writing off any further audited losses which may be incurred by the Company after 31st March, 2006. Up to 31st March, 2010, accumulated losses amounting to HK\$45,289,729, which includes loss for the year ended 31st March, 2009 of HK\$28,776,650 (2008: HK\$5,958,124), were written off against the special reserve of HK\$100,000,000. In the case of any future non-permanent losses which may, from time to time, have been written off against such special reserve, any recovery from the Company's investments in respect of which such losses were recorded (up to HK\$100,000,000 or the amount of such written-off losses, whichever is less) will, likewise, be re-credited to the same special reserve for the protection of the creditors existing at the date when the proposed reduction becomes effective.

Consolidated Statement of Cash Flows

For the Year ended 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES			
Profit (loss) before taxation		10,518,530	(83,344,372)
Adjustments for:			
Dividend income from held-for-trading investments		(311,843)	(400,700)
Interest income		(151,931)	(246,890)
Imputed interest income from a jointly controlled entity		(61,788)	–
Impairment loss on paintings		–	1,182,173
Release of prepaid lease payments		28,016	28,016
Depreciation		8,354,242	9,329,348
Finance costs		1,632,787	2,254,762
Loss on disposal of property, plant and equipment		1,930	51,695
Loss on disposal of a subsidiary	42	52,251	–
Loss on disposal of property interest		18,010	–
Share-based payment expenses		1,433,663	–
Provision for onerous contracts		–	3,706,000
(Decrease) increase in fair value of financial liabilities at fair value through profit or loss		(540,425)	42,790
(Increase) decrease in fair value of investment properties		(25,804,748)	38,992,202
Share of results of associates		(838,587)	(390,607)
Share of result of a jointly controlled entity		64,492	–
Exchange gain		(206,943)	(1,220,610)
Operating cash flows before movements in working capital		(5,812,344)	(30,016,193)
(Increase) decrease in held-for-trading investments		(3,761,340)	12,322,825
(Increase) decrease in inventories		(93,019)	22,853
Decrease in trade and other receivables		3,102,452	60,844
Decrease in deposits and prepayment		516,796	4,708,085
(Decrease) increase in amounts due to directors		(370,000)	370,000
Decrease in amounts due from a related company	39	716	51,773
Increase in trade and other payables		2,334,945	994,681
Increase in deposits received		311,792	1,654,205
Decrease in amounts due to associates		–	(1,312,336)
Increase in amounts due to related companies		119,324	102,786
NET CASH USED IN OPERATING ACTIVITIES		(3,650,678)	(11,040,477)

Consolidated Statement of Cash Flows

For the Year ended 31st March, 2010

	NOTES	2010 HK\$	2009 HK\$
INVESTING ACTIVITIES			
Dividend received from an associate		1,000,000	3,000,000
Dividends received from held-for-trading investments		311,843	400,700
Interest received		151,931	246,890
Proceeds from disposal of a subsidiary	42	646,647	–
Proceeds from disposal of investment properties		29,945,468	–
Capital injection into a jointly controlled entity		(50)	–
Loan to a jointly controlled entity		(9,000,155)	–
(Increase) decrease in pledged bank deposits		(2,983)	278,625
Acquisition of property, plant and equipment		(1,425,292)	(4,007,549)
Deposits paid for acquisition of properties		–	(4,844,170)
Proceeds from disposal of property interest		416,262	–
Acquisition of paintings		–	(1,608,650)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		22,043,671	(6,534,154)
FINANCING ACTIVITIES			
Interest paid on bank borrowings		(1,632,787)	(2,254,762)
New bank borrowings raised		9,190,000	3,500,000
Repayment of bank borrowings		(22,859,736)	(5,208,895)
Increase in amounts due to associates		815,000	–
Advance from a minority shareholder		694,928	1,626,077
NET CASH USED IN FINANCING ACTIVITIES		(13,792,595)	(2,337,580)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,600,398	(19,912,211)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		(455,183)	19,457,028
CASH AND CASH EQUIVALENTS CARRIED FORWARD		4,145,215	(455,183)
Represented by			
Bank balances and cash		4,145,215	2,040,796
Bank overdrafts		–	(2,495,979)
		4,145,215	(455,183)

30 Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The Company is engaged in investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries, associates and jointly controlled entity are set out in notes 17, 18 and 19, respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

At 31st March, 2010, the Group has net current liabilities of HK\$4,947,176 (2009: HK\$4,487,237). Taking into account of the financial resources and available banking facilities, the Group has sufficient working capital for its present requirements for at least 12 months from the end of the reporting period. Accordingly, the consolidated financial statements has been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

For the Year ended 31st March, 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

For the Year ended 31st March, 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

- ¹ Effective for annual periods beginning on or after 1st July, 2009.
- ² Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
- ⁴ Effective for annual periods beginning on or after 1st January, 2010.
- ⁵ Effective for annual periods beginning on or after 1st February, 2010.
- ⁶ Effective for annual periods beginning on or after 1st July, 2010.
- ⁷ Effective for annual periods beginning on or after 1st January, 2011.
- ⁸ Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary and allocation of deficit balance to non-controlling interest.

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

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the operation of hotels is recognised when services are rendered.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases.

Dividends from investments are recognised when the Group's right to receive payment have been established.

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Paintings

Paintings are stated at cost less any identified impairment loss.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Leasehold land held for a currently undetermined future use is regarded as held for capital appreciation purpose as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

The results of a subsidiary are accounted for by the Company on the basis of dividends received and receivable during the year.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When there is a difference between the reporting date of an associate and that of the Group (that is no more than three months) and it is impracticable to prepare another set of financial statements that are of the same date as the Group, adjustments are made for the effects of significant transactions or events that occur between the reporting date of the associate and that of the Group.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment in associates is included in the Company's statement of financial position at cost less any identified impairment loss.

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investment in a jointly controlled entity is included in the Company's statement of financial position at cost less any identified impairment loss.

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under fair value model.

Impairment on tangible assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories, representing inventories of goods, beverages and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Provision

Onerous contracts represent purchase contracts for certain properties where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions for onerous contracts are calculated based on the difference between the sales proceeds receivable by the Group and those unavoidable costs payable by the Group under the contracts.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for certain available-for-sale investments, which are measured at the carrying amount at the time the Group ceased to have significant influence. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profits or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading on initial recognition. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables (including trade and other receivables, amount due from a related company, amounts due from subsidiaries, amount due from an associate, pledged bank deposits, loan to a jointly controlled entity, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's liabilities are classified as financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are classified as financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company/Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at fair value through profit or loss - continued

At the end of reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank overdrafts, amounts due to directors, amounts due to associates and related companies and a minority shareholder and subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, *Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payment are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 associated with investments in subsidiaries and associates and interest in a jointly controlled entity, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the Year ended 31st March, 2010

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans or the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Provision for long service payments, being the present value of defined benefit obligation, is determined using the projected unit credit method at the end of reporting period. The cost of providing long service payments liabilities is recognised to profit or loss on a straight-line basis over the services lives of the employees. The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Income taxes

As at 31st March, 2010, a deferred tax asset in relation to unused tax losses of HK\$20,650,000 (2009: HK\$21,353,000) (note 37) has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of HK\$156,614,000 and HK\$141,800,000 as at 31st March, 2010 and 2009, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

6. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Segment information was previously analysed on the basis of business operation, including hotel operation, property letting and securities investment and trading. Information reported to the chief operating decision maker, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is based on the financial information of subsidiaries engaged in different operations at different locations.

Accordingly the operating segments have been changed and summarised as follows:

Hotel operation	–	operation of a hotel in Hong Kong
Hotel operation and property letting	–	operation of a hotel and property letting in the People’s Republic of China (“PRC”), excluding Hong Kong
Property investment	–	investment properties and property letting in Hong Kong
Securities investment and trading		

Segment information for prior year has been restated to conform with the current year’s presentation.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

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For the Year ended 31st March, 2010

6. REVENUE AND SEGMENT INFORMATION - continued

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

2010

	Hotel operation – Hong Kong HK\$	Hotel operation and property letting – PRC excluding Hong Kong HK\$	Property investment – Hong Kong HK\$	Securities investment and trading HK\$	Total HK\$
Revenue	15,882,688	10,741,671	313,677	–	26,938,036
RESULTS					
Segment profit (loss)	648,258	(4,046,439)	25,106,514	4,654,532	26,362,865
Unallocated income					416,121
Central administrative expenses					(16,122,950)
Loss on disposal of a subsidiary					(52,251)
Finance costs					(923,842)
Share of results of associates					838,587
Profit before taxation					10,518,530
Tax charge					(1,806,692)
Profit for the year					8,711,838

2009

	Hotel operation – Hong Kong HK\$	Hotel operation and property letting – PRC excluding Hong Kong HK\$	Property investment – Hong Kong HK\$	Securities investment and trading HK\$	Total HK\$
Revenue	16,704,565	10,763,799	1,670,419	–	29,138,783
RESULTS					
Segment profit (loss)	1,209,880	(3,553,607)	(42,564,293)	(21,318,076)	(66,226,096)
Unallocated income					890,640
Central administrative expenses					(17,167,600)
Finance costs					(1,231,923)
Share of results of associates					390,607
Loss before taxation					(83,344,372)
Tax credit					5,350,690
Loss for the year					(77,993,682)

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

6. REVENUE AND SEGMENT INFORMATION - continued

Segment revenues and results - continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit (loss) from each segment without allocation of other income, central administrative expenses including auditor's remuneration, directors' remuneration and certain administrative staff costs, certain finance costs, loss on disposal of a subsidiary, share of results of associates and tax (charge) credit. This is the measure reported to the chief operating decision maker, the executives directors of the Company, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2010 HK\$	2009 HK\$
Segment assets		
Hotel operation – Hong Kong	29,315,806	31,791,068
Hotel operation and property letting – PRC excluding Hong Kong	50,873,395	53,760,915
Property investment – Hong Kong	109,055,825	109,316,724
Securities investment and trading	14,364,828	11,552,624
Total segment assets	203,609,854	206,421,331
Available-for-sale investments	159,188,314	159,188,314
Property, plant and equipment	18,579,768	19,173,239
Paintings	4,220,000	3,800,000
Other unallocated assets	7,493,424	9,177,880
Consolidated assets	393,091,360	397,760,764
Segment liabilities		
Hotel operation – Hong Kong	2,829,085	2,487,863
Hotel operation and property letting – PRC excluding Hong Kong	13,421,807	10,192,979
Property investment – Hong Kong	31,312,136	52,187,180
Securities investment and trading	100,000	640,425
Total segment liabilities	47,663,028	65,508,447
Bank borrowings	44,720,000	39,790,000
Other unallocated liabilities	4,438,664	6,227,704
Consolidated liabilities	96,821,692	111,526,151

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For the Year ended 31st March, 2010

6. REVENUE AND SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than paintings, interests in associates, available-for-sale investments, amounts due from associates and a related company and pledged bank deposits.
- all liabilities are allocated to operating segments other than amounts due to associates and related companies, bank borrowings (other than those related to the property investment segment) and provision for long service payments (other than those related to the hotel operation – Hong Kong segment).

Other segment information

The following other segment information is included in the measurement of segment profit or loss and segment assets and segment liabilities:

2010	Hotel operation and property	Hotel letting – PRC	Property investment –	Securities investment and trading	Segment total	Unallocated	Total
	Hotel operation – Hong Kong	excluding Hong Kong	Hong Kong				
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	78,117	1,342,406	-	-	1,420,523	4,769	1,425,292
Depreciation	3,079,156	4,582,819	-	-	7,661,975	692,267	8,354,242
Release of prepaid lease payments	28,016	-	-	-	28,016	-	28,016
Increase in fair value of investment properties	-	-	25,804,748	-	25,804,748	-	25,804,748
Finance costs	-	-	707,578	1,367	708,945	923,842	1,632,787
Share of result of a jointly controlled entity	-	-	64,492	-	64,492	-	64,492
Increase in fair value of held-for-trading investments	-	-	-	3,803,631	3,803,631	-	3,803,631
Decrease in fair value of financial liabilities at FVTPL	-	-	-	540,425	540,425	-	540,425
Interest in a jointly controlled entity	-	-	565,186	-	565,186	-	565,186

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

6. REVENUE AND SEGMENT INFORMATION - continued

Other segment information - continued

2009	Hotel operation and property	Hotel letting – PRC	Property investment –	Securities investment and trading	Segment total	Unallocated	Total
	operation – Hong Kong	excluding Hong Kong	investment – Hong Kong	investment and trading	total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	64,590	3,904,805	-	-	3,969,395	38,154	4,007,549
Depreciation	3,106,006	4,667,518	-	-	7,773,524	1,555,824	9,329,348
Impairment loss on painting	-	-	-	-	-	1,182,173	1,182,173
Provision for onerous contracts	-	-	3,706,000	-	3,706,000	-	3,706,000
Release of prepaid lease payments	28,016	-	-	-	28,016	-	28,016
Loss on disposal of property, plant and equipment	2,287	-	36,493	-	38,780	12,915	51,695
Decrease in fair value of investment properties	-	-	38,992,202	-	38,992,202	-	38,992,202
Finance costs	-	-	1,022,839	-	1,022,839	1,231,923	2,254,762
Decrease in fair value of held-for-trading investments	-	-	-	21,675,986	21,675,986	-	21,675,986
Increase in fair value of financial liabilities at FVTPL	-	-	-	42,790	42,790	-	42,790

Revenue from major business operations

An analysis of the Group's revenue representing the aggregate amount of income from hotel operations, which are mainly from room revenue and gross rental income from property letting is as follows:

	2010 HK\$	2009 HK\$
Hotel room revenue, food and beverages	20,335,251	21,545,526
Gross rental income from properties	6,602,785	7,593,257
	26,938,036	29,138,783

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For the Year ended 31st March, 2010

6. REVENUE AND SEGMENT INFORMATION - continued**Geographical information**

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below.

	Revenue from external customers		Non-current assets (Note)	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Hong Kong	16,196,365	18,374,984	160,760,948	159,268,748
PRC (excluding Hong Kong)	10,741,671	10,763,799	49,870,618	53,109,850
	26,938,036	29,138,783	210,631,566	212,378,598

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

Revenue from an external customer amounted to HK\$6,414,847 (2009: HK\$4,862,032) which has been included in hotel operation and property letting – PRC segment contributed over 10% of the total revenue of the Group.

7. FINANCE COSTS

	2010 HK\$	2009 HK\$
Interests on bank borrowings:		
Wholly repayable within five years	140,612	918,050
Not wholly repayable within five years	1,492,175	1,336,712
	1,632,787	2,254,762

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

8. PROFIT (LOSS) BEFORE TAXATION

	2010 HK\$	2009 HK\$
Profit (loss) before taxation has been arrived at after charging:		
Depreciation	8,354,242	9,329,348
Impairment loss on paintings (note 14)	–	1,182,173
Provision for onerous contracts (note 26)	–	3,706,000
Release of prepaid lease payments	28,016	28,016
Auditor's remuneration		
Current year	873,000	730,000
Underprovision prior year	30,000	177,266
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	12,019,337	11,921,150
Retirement benefits cost	754,691	426,518
Share-based payment expenses	1,433,663	–
	14,207,691	12,347,668
Loss on disposal of property interest (Note)	18,010	–
Loss on disposal of property, plant and equipment	1,930	51,695
Operating lease rentals in respect of rental premises	5,813,912	5,945,614
Share of taxation of associates (included in share of results of associates)	166,260	52,580
Cost of inventories recognised as an expense	3,884,626	4,024,116
and after crediting:		
Bank interest income	2,067	73,134
Exchange gain, net	106,444	1,112,494
Imputed interest income from loan to a jointly controlled entity	61,788	–
Other interest income	149,864	173,756

Property rental income of HK\$6,602,785 (2009: HK\$7,593,257), net of:–

Outgoing from properties that generated rental income during the year of HK\$5,013,350 (2009: HK\$5,802,826).

Outgoing from properties that did not generate rental income during the year of HK\$107,713 (2009: HK\$495,589).

Note: The amount represents the loss on disposal of one of the property interests as set out in note 26.

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For the Year ended 31st March, 2010

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2009: fourteen) directors were as follows:

Name of directors	Fees HK\$	Salaries and other benefits	Retirement benefit schemes contributions	Share-based payments	Performance related bonus	Total HK\$
		HK\$	HK\$	HK\$	HK\$ (Note 1)	
2010						
Mr. Deacon Te Ken Chiu	20,000	-	-	-	-	20,000
Mr. Derek Chiu	10,000	935,270	12,000	-	500,000	1,457,270
Ms. Margaret Chiu	10,000	175,325	12,000	-	-	197,325
Madam Chiu Ju Ching Lan	10,000	360,000	-	-	-	370,000
Mr. Dick Tat Sang Chiu	10,000	-	-	-	-	10,000
Mr. David Chiu	10,000	-	-	-	-	10,000
Mr. Dennis Chiu	10,000	-	-	-	-	10,000
Mr. Duncan Chiu	10,000	90,000	4,500	-	-	104,500
Mr. Ip Shing Hing	120,000	-	-	167,315	-	287,315
Mr. Ng Wing Hang	120,000	-	-	167,315	-	287,315
Mr. Choy Wai Shek	120,000	-	-	167,315	-	287,315
Mr. Chan Chi Hing (Note 3)	10,000	-	-	-	-	10,000
	460,000	1,560,595	28,500	501,945	500,000	3,051,040
2009						
Mr. Deacon Te Ken Chiu	20,000	-	-	-	-	20,000
Mr. Derek Chiu	10,000	1,077,793	12,000	-	500,000	1,599,793
Mr. Desmond Chiu (Note 3)	8,876	12,321	610	-	-	21,807
Ms. Margaret Chiu	10,000	176,752	12,000	-	-	198,752
Madam Chiu Ju Ching Lan	10,000	360,000	-	-	-	370,000
Mr. Dick Tat Sang Chiu	10,000	-	-	-	-	10,000
Mr. David Chiu	10,000	-	-	-	-	10,000
Mr. Dennis Chiu	10,000	-	-	-	-	10,000
Mr. Duncan Chiu	10,000	150,000	7,500	-	-	167,500
Mr. Ip Shing Hing	120,000	-	-	-	-	120,000
Mr. Ng Wing Hang	120,000	-	-	-	-	120,000
Mr. Choy Wai Shek	120,000	-	-	-	-	120,000
Mr. Chan Chi Hing (Note 3)	10,000	-	-	-	-	10,000
Mr. Tang Sung Ki (Note 3)	8,876	434,571	10,643	-	-	454,090
	477,752	2,211,437	42,753	-	500,000	3,231,942

For the Year ended 31st March, 2010

9. DIRECTORS' EMOLUMENTS - continued*Notes:*

1. During the year, Mr. Ip Shing Hing, Mr. Ng Wing Hang and Mr. Choy Wai Shek were granted certain share options of the Company and the deemed benefits arising from the grant of those share options are HK\$167,315 each. The deemed benefits represent the fair value of the share options granted, calculated on the basis set out in note 46.
2. The performance related bonus payable to the executive directors is determined based on the performance of the individual directors.
3. Mr. Chan Chi Hing and Mr. Tang Sung Ki (resigned on 18th February, 2009) are alternate directors who are alternate to Mr. Deacon Te Ken Chiu and Mr. Desmond Chiu (resigned on 18th February, 2009), respectively.

Included in the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK\$596,400 (2009: HK\$596,400).

No directors waived any emoluments in the year ended 31st March, 2010 and 2009.

During the year ended 31st March, 2010 and 2009, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2009: three) was director whose emoluments are disclosed in note 9 above. The emoluments of the remaining four (2009: two) individuals within the band of HK\$nil to HK\$1,000,000 were as follows:

	2010 HK\$	2009 HK\$
Salaries and other benefits	1,549,750	723,307
Retirement benefit schemes contributions	48,000	24,000
Share-based payments	931,718	–
	2,529,468	747,307

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For the Year ended 31st March, 2010

11. TAX CHARGE (CREDIT)

Tax charge (credit) represents the deferred taxation for the year.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries have no assessable profits in both years.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision for PRC Enterprise income tax as there is no assessable profits for both years for the subsidiary operated in PRC.

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

	2010 HK\$	2009 HK\$
Profit (loss) before taxation	10,518,530	(83,344,372)
Tax at the domestic income tax rate of 16.5%	1,735,557	(13,751,821)
Tax effect of share of results of associates	(138,367)	(64,450)
Tax effect of share of result of a jointly controlled entity	10,641	–
Tax effect of expenses not deductible for tax purposes	369,661	3,475,366
Tax effect of income not taxable for tax purposes	(144,878)	(59,431)
Tax effect of tax losses not recognised	3,123,040	3,862,680
Tax effect of utilisation of tax losses previously not recognised	(678,660)	(145,432)
Tax effect of utilisation of temporary difference not recognised	(2,156,945)	–
Tax effect of deductible temporary differences not recognised	–	2,156,945
Decrease in opening deferred tax liability resulting from an decrease in applicable tax rate	–	(670,957)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(343,947)	(302,057)
Others	30,590	148,467
Tax charge (credit) for the year	1,806,692	(5,350,690)

Details of deferred taxation are set out in note 37.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

12. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the profit for the year of HK\$8,711,838 (2009: loss of HK\$77,993,682).

Number of shares

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	488,842,675	488,842,675
Effect of dilutive potential ordinary shares from share options	7,926	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	488,850,601	N/A

No diluted loss per share for the prior year is presented as there were no potential ordinary shares outstanding in prior year.

13. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY	
	Leasehold land and buildings in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Leasehold improvements HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$	Total HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$
COST							
At 1st April, 2008	19,846,984	90,239,453	37,323,408	4,270,521	37,097,444	188,777,810	2,313,001
Exchange adjustments	-	1,107,865	-	-	211,487	1,319,352	-
Additions	-	-	-	3,738,384	269,165	4,007,549	38,153
Disposals	-	-	-	-	(379,971)	(379,971)	(27,524)
At 31st March, 2009	19,846,984	91,347,318	37,323,408	8,008,905	37,198,125	193,724,740	2,323,630
Exchange adjustments	-	186,004	-	-	34,260	220,264	-
Additions	-	-	-	991,429	433,863	1,425,292	4,768
Disposals	-	-	-	-	(2,316)	(2,316)	(2,316)
At 31st March, 2010	19,846,984	91,533,322	37,323,408	9,000,334	37,663,932	195,367,980	2,326,082

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For the Year ended 31st March, 2010

13. PROPERTY, PLANT AND EQUIPMENT - continued

	THE GROUP					THE COMPANY	
	Leasehold land and buildings in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Leasehold improvements HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$	Total HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$
DEPRECIATION AND IMPAIRMENT							
At 1st April, 2008	1,878,648	40,279,482	18,412,888	1,859,033	19,976,277	82,406,328	610,969
Exchange adjustments	–	515,931	–	–	172,786	688,717	–
Provided for the year	454,895	3,811,722	746,472	931,101	3,385,158	9,329,348	231,104
Eliminated on disposals	–	–	–	–	(328,276)	(328,276)	(14,608)
At 31st March, 2009	2,333,543	44,607,135	19,159,360	2,790,134	23,205,945	92,096,117	827,465
Exchange adjustments	–	93,713	–	–	30,054	123,767	–
Provided for the year	454,895	3,465,055	746,472	503,617	3,184,203	8,354,242	231,782
Eliminated on disposals	–	–	–	–	(386)	(386)	(386)
At 31st March, 2010	2,788,438	48,165,903	19,905,832	3,293,751	26,419,816	100,573,740	1,058,861
CARRYING VALUES							
At 31st March, 2010	17,058,546	43,367,419	17,417,576	5,706,583	11,244,116	94,794,240	1,267,221
At 31st March, 2009	17,513,441	46,740,183	18,164,048	5,218,771	13,992,180	101,628,623	1,496,165

Notes:

- (a) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings and hotel property	Over the shorter of the terms of the lease, or 50 years
Leasehold improvements, furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

- (b) The properties located in Hong Kong with a carrying value HK\$34,476,122 (2009: HK\$35,677,489) and the PRC with a carrying value HK\$43,367,419 (2009: HK\$46,740,183) are held under medium-term leases.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

14. PAINTINGS

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Cost				
At 1st April	3,800,000	3,373,523	3,800,000	3,373,523
Additions	420,000	1,608,650	420,000	1,608,650
Impairment loss recognised	–	(1,182,173)	–	(1,182,173)
At 31st March	4,220,000	3,800,000	4,220,000	3,800,000

The directors of the Company have reviewed the carrying amount of the paintings as at 31st March, 2010, and no impairment loss was recognised during the year (2009: impairment loss of HK\$1,182,173 recognised). The impairment was assessed by the directors of the Company with reference to the open market values on those paintings.

15. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT FAIR VALUE	
At 1st April, 2008	143,014,342
Decrease in fair value recognised in consolidated statement of comprehensive income	(38,992,202)
At 31st March, 2009	104,022,140
Increase in fair value recognised in consolidated statement of comprehensive income	25,804,748
Disposals	(29,945,468)
At 31st March, 2010	99,881,420

Certain investment properties with a carrying value of HK\$42,990,000 (2009: HK\$32,401,000) are registered in the name of a company controlled by Mr. Deacon Te Ken Chiu and his family (the "Chiu Family") as trustee for the Group.

All of the Group's investment properties are situated in Hong Kong and are held under medium-leases.

The fair values of the Group's investment properties at 31st March, 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Lanbase Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties under the prevailing property market conditions.

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For the Year ended 31st March, 2010

15. INVESTMENT PROPERTIES - continued

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31st March, 2010, the carrying amount of such property interests amounted to HK\$99,881,420 (2009: HK\$104,022,140).

16. PREPAID LEASE PAYMENTS

The prepaid lease payments represent leasehold land in Hong Kong held under medium-term leases and are analysed for reporting purposes as:

	THE GROUP	
	2010 HK\$	2009 HK\$
Non-current assets	973,432	1,001,448
Current assets	28,016	28,016
	1,001,448	1,029,464

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010 HK\$	2009 HK\$
Unlisted shares, at cost	92,977,163	92,519,195
Less: Impairment loss recognised	(15,150,494)	(15,150,494)
	77,826,669	77,368,701

Cost of investments in subsidiaries includes an amount of HK\$3,767,942 (2009: HK\$3,309,973) which represents fair value adjustment on non-current interest free loans advanced to the subsidiaries.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

17. INVESTMENTS IN SUBSIDIARIES - continued

Particulars of the subsidiaries of the Company at 31st March, 2010 and 2009 are as follows:

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2009 %	2010 %	2009 %	
Alabama Investment Company Limited	HK\$9,000 Ordinary shares	97.8	97.8	-	-	Hotel operation
Anway Century Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Bright Oriental International Limited *	HK\$1 Ordinary share	-	100	-	-	Property investment
Bright Unit Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Brighten Heart Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Cankon Properties Limited	HK\$2 Ordinary shares	100	100	-	-	Property investment
Charm Empire International Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Far East Communication Technology Limited	HK\$2 Ordinary shares	100	100	-	-	Investment holding
Gaingrace Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Garmelo Secretarial Limited	HK\$2 Ordinary shares	100	100	-	-	Provision of company secretarial services
Grand Sparkle Limited	HK\$1 Ordinary share	100	100	-	-	Inactive

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For the Year ended 31st March, 2010

17. INVESTMENTS IN SUBSIDIARIES - continued

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2009 %	2010 %	2009 %	
Jeanstar Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Jenago Limited	HK\$2 Ordinary shares	100	100	-	-	Inactive
Kingwell Century Limited	HK\$2 Ordinary shares	100	100	-	-	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK\$25,200,000 Ordinary shares	100	100	-	-	Property investment
Long Challenge Limited	HK\$10,000 Ordinary shares	100	100	-	-	Investment holding
Mainstar International Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Neochem Development Limited	HK\$100 Ordinary shares	100	100	-	-	Property sub-letting
Ongrade Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Rex Entertainment Limited	HK\$100,000 Ordinary shares	100	100	-	-	Property investment
Saneworld Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Sintex Holdings Limited	US\$1 Ordinary share	100	100	-	-	Investment holding

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

17. INVESTMENTS IN SUBSIDIARIES - continued

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2009 %	2010 %	2009 %	
Superlight Limited	HK\$2 Ordinary shares	100	100	-	-	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	-	-	90	90	Property investment and service apartments operation
Chartersend Limited	HK\$2 Ordinary shares	-	-	100	100	Inactive
Far East Global Entertainment Limited	HK\$2 Ordinary shares	-	-	100	100	Inactive
Jones Town Limited	HK\$2 Ordinary shares	-	-	100	100	Inactive
Oneyon Limited	HK\$2 Ordinary shares	-	-	100	100	Investment holding
Tradeland Investments Limited	HK\$250,000 Ordinary shares	-	-	100	100	Investment holding
Yuk Sue Investment Limited	HK\$2 Ordinary shares	-	-	100	100	Securities trading and investment

* Company disposed of during the year

The subsidiary disposed of did not contribute significantly to the Group's cash flows, revenue and profit from operations during the current year.

All subsidiaries are incorporated and operate in Hong Kong except for Sintex Holdings Limited which is incorporated in the British Virgin Islands and operates in Hong Kong, and Beijing Hai Lian Property Management Co., Ltd. which is a sino-foreign equity joint venture registered and operating in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year.

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For the Year ended 31st March, 2010

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Unlisted shares, at cost	212,578,512	212,578,512	212,578,510	212,578,510
Share of post-acquisition profits and other comprehensive income, net of dividends received	(210,813,538)	(210,652,125)	–	–
Impairment loss recognised	–	–	(212,578,509)	(212,578,509)
	1,764,974	1,926,387	1	1

The Group has discontinued recognition of its share of loss of an associate. The amounts of unrecognised share of result of this associate, extracted from the relevant audited financial statements of associate for the year are as follows:

	Year ended 31st March,	
	2010 HK\$	2009 HK\$
Unrecognised share of profit (loss) of an associate for the year	7,363,471	(6,711,067)
Accumulated unrecognised share of loss of an associate	(25,477,901)	(32,841,372)

The financial year end date for Bolan Holdings N.V., Central More Limited and Nob Hill Management Limited are 31st December. For the purpose of applying the equity method of accounting, the financial statements of Bolan Holdings N.V., Central More Limited and Nob Hill Management Limited for the year ended 31st December, 2009 (2009: 31st December, 2008) have been used as the Group considers that the effects of the transactions between 31st December, 2009 to 31st March, 2010 is insignificant.

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18. INTERESTS IN ASSOCIATES - continued

Particulars of the associates of the Group at 31st March, 2010 and 2009 are as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2010	2009	
			%	%	
Bestyard Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property sub-letting
Bolan Holdings N.V.	Netherlands Antilles/ Australia	US\$100 Common shares US\$6,000 Non-cumulative 5% preference shares	45	45	Investment holding
Central More Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property development
Nob Hill Management Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property management

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

Results

	Year ended 31st March,	
	2010 HK\$	2009 HK\$
Revenue	5,780,362	6,013,684
Profit (loss) for the year	18,040,443	(14,132,270)
Group's share of results of associates for the year	838,587	390,607

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For the Year ended 31st March, 2010

18. INTERESTS IN ASSOCIATES - continued

Financial position

	At 31st March,	
	2010 HK\$	2009 HK\$
Total assets	59,656,182	59,803,153
Total liabilities	(69,604,867)	(68,439,341)
Net liabilities	(9,948,685)	(8,636,188)
Group's share of net assets of associates	1,764,974	1,926,387

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Cost of an unlisted investment	50	–	50	–
Fair value adjustment on non-current interest-free loan to a jointly controlled entity (note 20)	629,628	–	629,628	–
Share of post-acquisition loss	(64,492)	–	–	–
	565,186	–	629,678	–

The interest in a jointly controlled entity represents a 50% (2009: nil) interest in the issued capital of Sino Noble Development Limited ("Sino Noble"), a company incorporated in Hong Kong. Sino Noble is principally engaged in the investment of a land located in Hong Kong.

The leasehold land held by Sino Noble was currently with an undetermined future use and classified as an investment property under non-current asset, and carried at fair value.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

19. INTEREST IN A JOINTLY CONTROLLED ENTITY - continued

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

	2010 HK\$	2009 HK\$
Current assets	–	–
Non-current assets	18,000,000	–
Current liabilities	16,869,628	–
Non-current liabilities	–	–
Revenue	–	–
Expenses	128,984	–

	Year ended 31st March,	
	2010 HK\$	2009 HK\$
Expense recognised in profit or loss	64,492	–

20. LOAN TO A JOINTLY CONTROLLED ENTITY

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Loan to a jointly controlled entity	9,000,155	–	9,000,155	–
Less: Fair value adjustment	(629,628)	–	(629,628)	–
Imputed interest income from a jointly controlled entity	61,788	–	61,788	–
	8,432,315	–	8,432,315	–

The loan to the jointly controlled entity is unsecured, interest free and have no fixed repayment terms. The loan is not expected to be repaid within twelve months from the end of the reporting period and is therefore shown as non-current.

The loan is carried at amortised cost. At initial recognition, the fair value is determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 3.25% per annum.

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For the Year ended 31st March, 2010

21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2010 HK\$	2009 HK\$
Unlisted equity securities overseas, at cost	159,188,314	159,188,314

	THE COMPANY	
	2010 HK\$	2009 HK\$
Unlisted equity securities overseas, at cost	157,026,351	157,026,351

The unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Particulars of the available-for-sale investments at 31st March, 2010 and 2009 are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group		Place of incorporation	Principal activities
	2010 %	2009 %		
Warwick Holdings S.A. ("Warwick")	16.09	16.09	Luxemburg	Investment holding, hotel investment and operation mainly in Europe and United States of America

The Chiu Family together with the related trusts are controlling shareholders of Warwick Holdings S.A..

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

22. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2010 HK\$	2009 HK\$
Equity securities listed in Hong Kong, at fair value	13,450,110	10,123,070
Warrants listed in Hong Kong, at fair value	506,300	72,000
	13,956,410	10,195,070

	THE COMPANY	
	2010 HK\$	2009 HK\$
Equity securities listed in Hong Kong, at fair value	460,000	158,000

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the Stock Exchange.

23. INVENTORIES

The amount represents food and beverage and other consumables, of which HK\$315,070 (2009: HK\$299,982) are stated at net realisable value.

24. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade and other receivables at the end of reporting period:

	THE GROUP	
	2010 HK\$	2009 HK\$
0-30 days	292,397	3,398,878
31-60 days	2,137	–
Over 60 days	521,504	519,612
Trade and other receivables	816,038	3,918,490
Less: allowance for doubtful debts	(510,545)	(510,545)
	305,493	3,407,945

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For the Year ended 31st March, 2010

24. TRADE AND OTHER RECEIVABLES - continued

Before accepting any new customer, the Group has assessed its credit quality and defined credit rating limits. The limit attributed to customers are reviewed every year. 36% (2009: 87%) of the trade receivables are neither past due nor impaired, as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$13,096 (2009: HK\$9,067) which are past due at the reporting date for which the Group has not provided for impairment loss, taking into account the past default experience. The Group does not hold any collateral over these balances.

Aging of trade and other receivables which are past due but not impaired

	2010 HK\$	2009 HK\$
Overdue by 1-30 days	2,137	–
Overdue by over 30 days	10,959	9,067
Total	13,096	9,067

Movement in the allowance for doubtful debts

	2010 HK\$	2009 HK\$
Balance at beginning of the year and end of the year	510,545	510,545

In determining the recoverability of a trade debtor, the Company considers any change in the credit quality of the trade debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

25. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2010 HK\$	2009 HK\$
Amounts due from subsidiaries	303,911,201	324,937,760
Less: Allowance for doubtful debts	(174,184,524)	(170,213,752)
	129,726,677	154,724,008
Less: Amount due within one year shown under current assets	(8,343,707)	(18,413,793)
	121,382,970	136,310,215
Movement in the allowance for doubtful debts		
Balance at beginning of the year	170,213,752	152,825,752
Allowance for doubtful debts	3,970,772	17,388,000
Balance at end of the year	174,184,524	170,213,752

During the year, the directors reviewed the carrying value of the amounts due from subsidiaries. The recoverable amount of the amounts due from subsidiaries is estimated by directors based on the expected future cash flows generated from the operation of these subsidiaries. An allowance for doubtful debts of HK\$3,970,772 (2009: HK\$17,388,000) was recognised in profit or loss.

The Company considered that HK\$121,382,970 (2009: HK\$136,310,215) will not be expected for repayment within next twelve months from the end of the reporting period. Accordingly, these amounts were classified as non-current assets. A fair value adjustment of HK\$3,767,942 (2009: HK\$3,309,973) determined based on an effective interest rate of 3% (2009: 3%) per annum as at 31st March, 2010 has been included in the investments in subsidiaries as deemed contribution to the subsidiaries.

As at 31st March, 2010, except for the principal amount of HK\$82,606,134 (2009: HK\$104,268,758), which bears interest at Hong Kong Dollar Prime Rate minus 4% with effective interest at 1.25% per annum (2009: ranging from Hong Kong Dollar Prime Rate minus 4% to Hong Kong Dollar Prime Rate minus 2% per annum with effective interest rate ranging from 1.18% to 2.91% per annum), the remaining principal amount of HK\$225,073,009 (2009: HK\$223,978,975) is interest-free.

The amounts due from subsidiaries are unsecured.

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For the Year ended 31st March, 2010

26. DEPOSITS FOR ACQUISITION OF PROPERTIES AND PROVISION FOR ONEROUS CONTRACTS

	THE GROUP	
	2010 HK\$	2009 HK\$
Deposits for acquisition of properties	–	4,844,170
Provision for onerous contracts	–	(3,706,000)

During the year ended 31st March, 2009, the Group entered into contracts with independent third parties to acquire properties at aggregate purchase price of HK\$32,229,000. As at 31st March, 2009, HK\$4,844,170 (including deposits for two property interests of HK\$2,385,260 and HK\$2,458,910) was paid and recorded as deposits for acquisition of properties in the consolidated statement of financial position.

In July, 2009, the underlying properties were sold to independent third parties at HK\$28,523,000 (net of associated transaction costs). Since the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them, a provision for onerous contracts was recognised in the consolidated statement of comprehensive income for the year ended 31st March, 2009. Additional losses were recognised upon completion of the disposals during the year ended 31st March, 2010 and set out in notes 8 and 42.

27. AMOUNTS DUE FROM/TO ASSOCIATES

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

28. AMOUNTS DUE FROM/TO RELATED COMPANIES

AMOUNT DUE FROM A RELATED COMPANY

Details of the amount due from a company controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP AND THE COMPANY		
		Balance at 1st April, 2009 HK\$	Balance at 31st March, 2010 HK\$	Maximum amount outstanding during the year HK\$
Far East Holdings International Limited	Deacon Te Ken Chiu David Chiu Margaret Chiu Dennis Chiu Derek Chiu Duncan Chiu	420,716	–	420,716

The amount as at 31st March, 2009 was unsecured, interest-free and repayable on demand.

AMOUNTS DUE TO RELATED COMPANIES

Name of company	Name of common directors	THE GROUP AND THE COMPANY	
		2010 HK\$	2009 HK\$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu	118,908	67,863
Far East Theatres Management Limited	Deacon Te Ken Chiu Chiu Ju Ching Lan Dick Tat Sang Chiu David Chiu	315,608	247,329
		434,516	315,192

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

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For the Year ended 31st March, 2010

29. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The pledged bank deposits carry interest at the prevailing market interest rates ranging from 0.01% to 0.04% (2009: 0.15% to 3.25%) per annum and represent deposits pledged to a bank to secure banking facilities granted to the Group and the Company.

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 0.03% (2009: 0.01% to 0.05%) per annum.

30. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
0-30 days	533,148	495,384	–	–
31-60 days	685,786	449,781	–	–
Over 60 days	3,564,693	3,065,808	–	–
Trade payables	4,783,627	4,010,973	–	–
Other payables	4,851,614	3,294,323	1,507,857	1,341,686
	9,635,241	7,305,296	1,507,857	1,341,686

The average credit period on purchase of goods is 60 days. The Group has financial risk policies in place to ensure that all payables within credit time frame.

31. AMOUNTS DUE TO SUBSIDIARIES

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

32. AMOUNTS DUE TO DIRECTORS

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

33. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

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For the Year ended 31st March, 2010

34. BANK BORROWINGS AND BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Bank borrowings comprise:				
Mortgage loans	41,073,482	51,503,218	–	–
Bank loans	26,720,000	29,960,000	26,720,000	29,960,000
	67,793,482	81,463,218	26,720,000	29,960,000
Secured	64,293,482	77,963,218	23,220,000	26,460,000
Unsecured	3,500,000	3,500,000	3,500,000	3,500,000
	67,793,482	81,463,218	26,720,000	29,960,000
The above borrowings are repayable as follows:				
Within one year	9,443,212	9,064,231	6,740,000	6,740,000
More than one year, but not exceeding two years	5,959,432	5,674,011	3,240,000	3,240,000
More than two years, but not exceeding five years	23,888,471	20,113,479	7,220,000	8,220,000
More than five years	28,502,367	46,611,497	9,520,000	11,760,000
	67,793,482	81,463,218	26,720,000	29,960,000
Less: Amount due within one year shown under current liabilities	(9,443,212)	(9,064,231)	(6,740,000)	(6,740,000)
Amount due after one year	58,350,270	72,398,987	19,980,000	23,220,000

The bank borrowings are denominated in HKD and carry floating-rate interest based on the bank's prime rate and the Hong Kong Interbank Offered Rate ("HIBOR") and the effective rates ranged from 1.04% to 3.75% (2009: 1.30% to 5.80%) per annum. The bank borrowings as at the end of reporting period were secured by the pledge of assets as set out in note 40.

Bank overdrafts as at 31st March, 2009 carried interest at market rates which ranges from 1.25% to 4.25% per annum.

For the Year ended 31st March, 2010

35. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st March, 2010 and 2009	750,000,000	75,000,000
Issued and fully paid:		
At 31st March, 2010 and 2009	488,842,675	48,884,268

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 1st June, 2007, and the subsequent Order of the High Court of the Hong Kong Special Administrative Region (the "High Court") granted on 20th July, 2007, the Company effected a capital reduction which took effect on 20th July, 2007 (the "Capital Reduction"). The paid-up capital on each of its issued ordinary share of HK\$1.00 was cancelled to the extent of HK\$0.90 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$1.00 per share to HK\$0.10 per share.

A total credit of HK\$439,958,407.50 arose as a result of the Capital Reduction. An amount of HK\$221,897,828 of the total amount was applied towards writing off the unconsolidated accumulated losses of the Company as at 31st March, 2006, and HK\$100,000,000 was transferred to a special reserve. The remaining balance of HK\$118,060,579 was credited to the share premium account of the Company.

An undertaking was given to the High Court by the Company in connection with the Capital Reduction. Pursuant to the undertaking, an amount of HK\$100,000,000 arising from the Capital Reduction, and any reversal, on or after 1st April, 2006, of the following provisions recorded in the books of account of the Company:

- (1) the HK\$11,419,494 impairment loss recognised in respect of the Company's subsidiaries;
- (2) various provisions in the aggregate amount of HK\$131,025,752, against loans due from the Company's subsidiaries;
- (3) the HK\$163,600,000 provision in respect of the Company's investment in an associated company;
- (4) the HK\$3,500,000 provision for a deposit paid in respect of a proposed additional interest in a subsidiary; and
- (5) the HK\$1,200,000 provision in respect of long service awards/severance payments.

For the Year ended 31st March, 2010

35. SHARE CAPITAL - continued

up to an aggregate amount of HK\$221,897,828, shall be credited to a special reserve in the accounting records of the Company.

While any debt of or claim against the Company as at 20th July, 2007 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisions:

1. the amount standing to the credit of the special reserve may be applied for the same purposes as a share premium account may be applied or may be reduced by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after 20th July, 2007; and
2. an amount of up to HK\$100,000,000 of the special reserve may be applied by the Company for the purpose of eliminating any loss sustained after 31st March, 2006, provided that such loss is referable to an audited statement of financial position of the Company as published from time to time, and provided further that if subsequent to the elimination, any of the Company's investments against which provision for impairment loss or diminution in value has been made shall be revalued in the accounting records of the Company in excess of the provision, or such investment shall be realised for a sum in excess of the amount of such provision, then a sum equal to the amount of the revaluation or the sum realised in excess of the amount of the provision, up to an aggregate amount of HK\$100,000,000, shall be re-credited to the special reserve.

36. RESERVES

	Total HK\$
THE COMPANY	
At 1st April, 2008	344,566,117
Loss for the year	<u>(28,776,650)</u>
At 31st March, 2009	315,789,467
Loss for the year	(13,096,674)
Share-based payment expenses	<u>1,433,663</u>
At 31st March, 2010	<u>304,126,456</u>

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37. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation on investment properties	Tax losses	Total
	HK\$	HK\$	HK\$	HK\$
At 1st April, 2008	10,041,239	5,282,959	(3,582,446)	11,741,752
Credit to profit or loss	(257,533)	(4,276,768)	(145,432)	(4,679,733)
Effect of change in tax rate	(573,785)	(301,883)	204,711	(670,957)
At 31st March, 2009	9,209,921	704,308	(3,523,167)	6,391,062
Reversal of deferred tax upon disposal of investment properties	(147,654)	(225,302)	147,654	(225,302)
(Credit) charge to profit or loss	(37,191)	2,100,903	(31,718)	2,031,994
At 31st March, 2010	<u>9,025,076</u>	<u>2,579,909</u>	<u>(3,407,231)</u>	<u>8,197,754</u>

For the purposes of presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities have been offset.

At 31st March, 2010, the Group has nil deductible temporary differences (2009: approximately HK\$13,072,000) in respect of downward revaluation of investment properties. During the year, the Group has utilised all deductible temporary differences including HK\$4,120,000 reversed upon disposal of the relevant property.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

37. DEFERRED TAXATION - continued

At 31st March, 2010, the Group has unused tax losses of approximately HK\$177,264,000 (2009: HK\$163,153,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$20,650,000 (2009: HK\$21,353,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$156,614,000 (2009: HK\$141,800,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$10,359,000 (2009: HK\$11,515,000) which will expire in the following years:

	2010 HK\$	2009 HK\$
2009/2008	–	4,118,000
2010/2009	4,226,000	4,211,000
2011/2010	1,873,000	1,866,000
2012/2011	21,000	21,000
2013/2012	2,935,000	1,299,000
2014/2013	1,304,000	–
	10,359,000	11,515,000

At 31st March, 2010, the Company has unused tax losses of approximately HK\$95,036,000 (2009: HK\$87,080,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

38. PROVISION FOR LONG SERVICE PAYMENTS

Movements in the provision for long service payments during the year are as follows:

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
At beginning and end of the year	2,055,013	2,055,013	1,176,900	1,176,900

The amount recognised represents the present value of the estimated defined benefit obligation and is reviewed on an annual basis and adjusted as appropriate.

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39. MAJOR NON-CASH TRANSACTION

During the year, the addition of paintings amounting to HK\$420,000 was settled through current account with a related company in which certain directors of the Company have beneficial interests.

40. PLEDGE OF ASSETS

At the end of the reporting period, the bank credit facilities of the Group and the Company amounted to approximately HK\$73,293,000 (2009: HK\$86,963,000) and HK\$32,220,000 (2009: HK\$31,460,000) respectively, of which approximately HK\$67,793,000 (2009: HK\$83,959,000) and HK\$26,720,000 (2009: HK\$29,960,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Prepaid lease payments	1,001,448	1,029,464	–	–
Property, plant and equipment	43,402,401	46,864,567	–	–
Investment properties	47,900,000	63,860,000	–	–
Bank deposits	2,135,306	2,132,323	2,002,643	2,000,715
	94,439,155	113,886,354	2,002,643	2,000,715

41. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Guarantee given to banks in respect of banking facilities utilised by subsidiaries	–	–	41,073,482	50,311,699
Guarantee given to banks in respect of banking facilities granted to subsidiaries	–	–	84,565,000	98,750,000

The directors considered that the fair values of this financial guarantees contract at its initial recognition and the carrying amounts at the end of the reporting period are insignificant on the basis of low applicable default rates. Accordingly, no value has been recognised in the consolidated statement of financial position.

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For the Year ended 31st March, 2010

42. LOSS ON DISPOSAL OF A SUBSIDIARY

On July 2009, the Group disposed of the entire interest in a wholly-owned subsidiary namely Bright Oriental International Limited ("Bright Oriental"). The net assets of Bright Oriental at the date of disposal were as follows:

	HK\$
NET ASSETS DISPOSED OF	
Deposit paid for acquisition of property (note 26)	2,458,910
Accrued expenses	(5,000)
Provision for onerous contract	<u>(1,755,012)</u>
	698,898
Loss on disposal	<u>(52,251)</u>
Total consideration	<u>646,647</u>
Satisfied by:	
Cash	<u>646,647</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>646,647</u>

The subsidiary disposed of did not contribute significantly to the Group's cash flows, revenue and profit from operations during the period of disposal.

43. OPERATING LEASES**THE GROUP****The Group as lessee:**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2010 HK\$	2009 HK\$
Within one year	4,779,244	4,844,725
In the second to fifth year inclusive	19,116,978	19,047,619
Over five years	45,402,822	50,000,000
	<u>69,299,044</u>	<u>73,892,344</u>

Leases are negotiated for terms ranging from two to twenty-eight years with fixed rentals over the lease term.

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43. OPERATING LEASES - continued**THE GROUP - continued**

The Group as lessor:

	THE GROUP	
	2010 HK\$	2009 HK\$
Within one year	2,750,546	2,481,833
In the second to fifth year inclusive	599,454	–
	3,350,000	2,481,833

Property rental income earned during the year was HK\$6,602,785 (2009: HK\$7,593,257). The properties have committed tenants for a term of one to five years (2009: one to two years).

THE COMPANY

The Company has no operating lease commitment at the end of the reporting period.

44. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong commencing from December 2000. The assets of the Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF or HK\$1,000 per month, whichever it is smaller, which contribution is matched by employees.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of its employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

45. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expenses amounting to HK\$958,599 (2009: HK\$965,048) to an associate.

Details of amounts due from/to associates are disclosed in note 27.

The Group acquired a 50% interest in Sino Noble from a director at a consideration of HK\$50. The transaction price was determined in accordance with the attributable share of the jointly controlled entity's issued capital. Subsequently, Sino Noble acquired a leasehold land from a director of the Company at a consideration of HK\$17,300,000 which was determined with reference to the recent transactions of similar properties under the prevailing property market conditions.

Paintings amounting to HK\$420,000 were acquired from a related company in which certain directors of the Company have beneficial interests.

Terms and balances with the related companies are set out in the Group's or Company's statement of financial position and notes 20, 25, 27, 28, 31 and 32.

Guarantee was given by the Company to banks in respect of banking facilities granted to the subsidiaries.

Compensation of key management personnel

The key management personnel of the Group comprises all directors and four (2009: two) highest paid employees, details of their remuneration are disclosed in notes 9 and 10. The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

46. SHARE-BASED PAYMENT TRANSACTIONS

At an extraordinary general meeting of the Company held on 1st June, 2007, an ordinary resolution to approve the adoption of a share option scheme (the "2007 Share Option Scheme") that complies with the Listing Rules was duly passed by shareholders. No share options were granted under this 2007 Share Option Scheme during the year ended 31st March, 2009.

The 2007 Share Option Scheme was adopted for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business associates or any other person who will contribute or have contributed to the Company or any of its subsidiaries. Under the 2007 Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

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For the Year ended 31st March, 2010

46. SHARE-BASED PAYMENT TRANSACTIONS - continued

At 31st March, 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,500,000 (2009: nil), representing 2% (2009: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2007 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options vested immediately may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following tables disclose movements of the Company's share options held by employees (including directors) during the year.

Date of grant	Exercise price per share HK\$	Number of options					Period during which share options outstanding at 31st March, 2010 are exercisable
		At 1st April, 2008 and 1st April, 2009	Granted during 2009/2010	Exercised during 2009/2010	Cancelled during 2009/2010	At 31st March, 2010	
30th December, 2009	0.282	-	8,000,000	-	-	8,000,000	30th December, 2009 to 29th December, 2019
24th February, 2010	0.265	-	1,500,000	-	-	1,500,000	24th February, 2010 to 23rd February, 2020
		-	9,500,000	-	-	9,500,000	

The estimated fair values of the options granted on 30th December, 2009 and 24th February, 2010 are HK\$0.153 and HK\$0.139 respectively.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

46. SHARE-BASED PAYMENT TRANSACTIONS - continued

These fair values were calculated using the Binominal Option Pricing Model. The inputs into the model were as follows:

	Granted on 30th December, 2009	Granted on 24th February, 2010
Closing price at the date of grant	HK\$0.28	HK\$0.26
Exercise price	HK\$0.282	HK\$0.265
Risk-free rate	2.59%	2.78%
Expected life	10 years	10 years
Nature of the share options	Call	Call
Expected volatility	65.20%	63.79%
Expected dividend yield	Nil	Nil
Early exercise behaviour	280% and 220%	280%

The Binominal option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years.

The Group recognised the total expense of HK\$1,433,663 for the year ended 31st March, 2010 (2009: nil) in relation to share options granted by the Company.

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 34 (net of bank balances and cash) and equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Currently, the management uses short term funding to finance its daily operation to minimise the finance costs. The Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

There are no changes on the Group's approach to capital management during the year.

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For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	2010 HK\$	2009 HK\$
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	15,221,891	8,205,342
Held-for-trading investments, at fair value	13,956,410	10,195,070
Available-for-sale investments, at cost	159,188,314	159,188,314
<i>Financial liabilities</i>		
Amortised cost	83,103,219	95,679,737
Financial liabilities at fair value through profit or loss	–	540,425

THE COMPANY

	2010 HK\$	2009 HK\$
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	143,072,950	160,774,199
Held-for-trading investments, at fair value	460,000	158,000
Available-for-sale investments, at cost	157,026,351	157,026,351
<i>Financial liabilities</i>		
Amortised cost	30,688,954	35,263,237

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies

The management of the Group and the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures.

(i) Foreign currency risk management

THE GROUP AND THE COMPANY

The carrying amounts of the Company's and its subsidiaries' monetary assets and monetary liabilities are mainly denominated in the Company's and its subsidiaries' functional currency. A subsidiary of the Company has foreign currency intragroup balances, which expose the Group to foreign currency risk. Other than the foreign currency risk arising on the intragroup balances, the Group and the Company does not have other significant foreign currency exposure.

The carrying amounts of the subsidiary's foreign currency denominated monetary liabilities at the reporting date are HK\$20,708,000 (2009: HK\$20,708,000).

Foreign currency sensitivity analysis

When the functional currency of the group entity (i.e. Renminbi) strengthens 5% (2009: 5%) against the relevant foreign currency (i.e. Hong Kong dollars), the Group's post-tax profit would increase by HK\$1,035,000 (2009: post-tax loss decreased by HK\$1,035,000). For a 5% (2009: 5%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the Group's post-tax profit/loss.

For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(ii) *Interest rate risk management*

The Group and the Company have exposures to cash flow interest rate risk as its pledged bank deposits, bank balances, bank overdrafts and bank borrowings are subject to floating interest rate. The Company also has exposures to cash flow interest rate risk on its current accounts with the subsidiaries and bank borrowings. The Group and the Company currently do not have any interest rate hedging policy. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate and HIBOR on bank borrowings. The Company's interest rate risk is also concentrated on the fluctuation of the Hong Kong Dollar Prime Rate and HIBOR on the current accounts with its subsidiaries and bank borrowings.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on bank balances and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2009: 50 basis points) represents management's assessment of the reasonably possible change in interest rate.

THE GROUP

If interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st March, 2010 would decrease/increase by HK\$325,000 (2009: post-tax loss increased/decreased by HK\$391,000). The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate bank overdrafts and bank borrowings.

THE COMPANY

If interest rate had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Company's post-tax loss for the year ended 31st March, 2010 would increase/decrease by HK\$291,000 (2009: HK\$384,000). The Company's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate debt instruments.

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(iii) Other price risks

The Group is exposed to price risks arising from held-for-trading investments and available-for-sale investments. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange of Hong Kong Limited. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Other price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. The sensitivity analysis has excluded price risk arising from available-for-sale investment which is measured at cost less impairment as fair value cannot be reliably measured. If the market price of the held-for-trading investments had been 15% (2009: 10%) higher/lower while all other variables were held constant, post-tax profit of the Group and the post-tax loss of the Company for the year ended 31st March, 2010 would increase/decrease by HK\$2,093,000 and decrease/increase by HK\$69,000 (2009: post-tax loss of the Group and the Company decreased/increased by HK\$1,020,000 and HK\$16,000) respectively as a result of the changes in fair value of held-for-trading investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

(iv) Credit risk management

As at 31st March 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statement of financial position; and
- the amount of financial guarantee issued by the Company to subsidiaries that can be called upon in entirety as disclosed in note 41.

For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(iv) Credit risk management - continued

The Group's and the Company's credit risk is primarily attributable to trade receivables and other receivables, amounts due from subsidiaries and loan to a jointly controlled entity. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the loan to a jointly controlled entity, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers. Other than concentration of credit risk on amounts due from subsidiaries and loan to a jointly controlled entity, the Company does not have any other significant concentration of credit risk.

(v) Liquidity risk management

The Group had sustained a net current liability position at the end of the reporting period and was therefore exposed to liquidity risk. The Group finances its working capital requirements through a combination of funds generated from operations and banking facilities.

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities by continuously monitoring the forecast and actual cash flows. At the end of the reporting period, the banking credit facilities of the Group and the Company amounted to approximately HK\$73,293,000 (2009: HK\$86,963,000) and HK\$32,220,000 (2009: HK\$31,460,000) respectively, of which approximately HK\$67,793,000 (2009: HK\$83,959,000) and HK\$26,720,000 (2009: HK\$29,960,000) were utilised, respectively.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) Liquidity risk management - continued

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

THE GROUP

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months				Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
			or less 6-12 months HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$			
2010									
Non-derivative instruments									
Non-interest bearing	-	5,674,496	9,635,241	-	-	-	-	15,309,737	15,309,737
Bank borrowings at variable rate	2.11	-	7,121,580	3,593,116	7,100,839	26,623,407	33,405,648	77,844,590	67,793,482
		<u>5,674,496</u>	<u>16,756,821</u>	<u>3,593,116</u>	<u>7,100,839</u>	<u>26,623,407</u>	<u>33,405,648</u>	<u>93,154,327</u>	<u>83,103,219</u>

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months				Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
			or less 6-12 months HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$			
2009									
Non-derivative instruments									
Non-interest bearing	-	4,415,244	7,305,296	-	-	-	-	11,720,540	11,720,540
Bank borrowings and bank overdrafts at variable rate	2.51	-	9,809,568	3,798,073	7,537,678	24,238,883	56,202,529	101,586,731	83,959,197
		<u>4,415,244</u>	<u>17,114,864</u>	<u>3,798,073</u>	<u>7,537,678</u>	<u>24,238,883</u>	<u>56,202,529</u>	<u>113,307,271</u>	<u>95,679,737</u>

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For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) Liquidity risk management - continued

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months				Over 5		Total undiscounted cash flows HK\$	Carrying amount HK\$
			or less 6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	years HK\$				
2010										
Non-derivative instruments										
Non-interest bearing	-	2,461,097	1,507,857	-	-	-	-	3,968,954	3,968,954	
Bank borrowings at variable rate	2.67	-	5,415,921	1,892,866	3,716,568	8,200,414	10,048,164	29,273,933	26,720,000	
Financial guarantee contracts (Note)	-	41,073,482	-	-	-	-	-	41,073,482	-	
		43,534,579	6,923,778	1,892,866	3,716,568	8,200,414	10,048,164	74,316,369	30,688,954	

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months				Over 5		Total undiscounted cash flows HK\$	Carrying amount HK\$
			or less 6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	years HK\$				
2009										
Non-derivative instruments										
Non-interest bearing	-	1,465,572	1,341,686	-	-	-	-	2,807,258	2,807,258	
Bank borrowings and bank overdrafts at variable rate	3.36	-	7,958,009	1,938,976	3,808,788	9,407,723	12,557,425	35,670,921	32,455,979	
Financial guarantee contracts (Note)	-	50,311,699	-	-	-	-	-	50,311,699	-	
		51,777,271	9,299,695	1,938,976	3,808,788	9,407,723	12,557,425	88,789,878	35,263,237	

48. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) *Liquidity risk management - continued*

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(vi) *Fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Fair value measurement recognised in the consolidated and Company's statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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For the Year ended 31st March, 2010

48. FINANCIAL INSTRUMENTS - continued**(b) Financial risk management objectives and policies - continued****(vi) Fair value of financial instruments - continued**

Fair value measurement recognised in the consolidated and Company's statements of financial position - continued

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	THE GROUP 2010 Level 1 HK\$	THE COMPANY 2010 Level 1 HK\$
Held-for-trading investments	13,956,410	460,000

List of Properties held by the Group

Location	Approximate gross floor area/site areas* (square feet)	Group's interest	Purpose	Term of lease
Leasehold land and buildings				
Duplex No. 1 on 1/F and 2/F with Garden and Rear Open Yard of House 15 (Dynasty Villa 6) and car park space No. 202, Dynasty Heights, No. 2 Yin Ping Road, Kowloon, Hong Kong	2,592	100.0%	Residential	Medium
Hotel property				
East Bay, Cheung Chau, New Territories 8443/9000 parts or shares of and in C.C.L. 1147	27,000*	97.8%	Hotel	Medium
Investment properties				
Flat A on 8th Floor of Block B10 and Car Park No. 157 on Basement Floor, Village Gardens (Phase A), No. 63 Fa Po Street Yau Yat Chuen, Kowloon	1,793	100.0%	Residential	Medium
Wing On Street, Peng Chau, New Territories 370/700 parts or shares of and in P.C.L. 415	5,230*	100.0%	Cinema	Medium
Various agricultural/building lots in Survey District No. 4 in Lai Chi Kok, Kowloon	278,686*	100.0%	Agriculture	Medium
Flat B, G/F, Block 2, Bela Vista Villa, Cheung Chau	350	100.0%	Residential	Medium
Unit B, Block 1, Floor 7, Mount Beacon No. 20 Cornwall Street, Kowloon	1,935	100.0%	Residential	Medium
Various agricultural lots in DD118, Yuen Long, New Territories	149,846*	50.0%	Agriculture	Medium

Financial Summary

RESULTS

	For the year ended 31st March,				2010 HK\$'000
	2006 HK\$'000 (restated)	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Revenue	20,323	20,357	27,047	29,139	26,938
(Loss) profit before taxation	(70,511)	(49,030)	7,606	(83,344)	10,518
Taxation	–	(400)	(3,823)	5,351	(1,806)
(Loss) profit for the year attributable to equity holders of the Company	(70,511)	(49,430)	3,783	(77,993)	8,712

ASSETS AND LIABILITIES

	At 31st March,				2010 HK\$'000
	2006 HK\$'000 (restated)	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
Total assets	504,102	500,284	473,723	397,761	393,091
Total liabilities	(69,365)	(115,732)	(108,905)	(111,526)	(96,822)
Equity attributable to equity holders of the Company	434,737	384,552	364,818	286,235	296,269