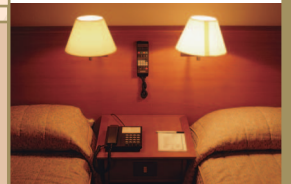
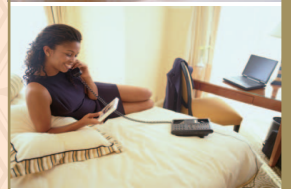


2007 ANNUAL REPORT



Far East Hotels and Entertainment Limited

Stock Code : 37



Contents

	PAGE(S)
CORPORATE INFORMATION	2-3
PROFILE OF DIRECTORS	4-7
MANAGING DIRECTOR & CHIEF EXECUTIVE'S STATEMENT	8-9
DIRECTORS' REPORT	10-16
CORPORATE GOVERNANCE REPORT	17-21
INDEPENDENT AUDITOR'S REPORT	22
CONSOLIDATED INCOME STATEMENT	23
CONSOLIDATED BALANCE SHEET	24-25
COMPANY BALANCE SHEET	26
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	27
CONSOLIDATED CASH FLOW STATEMENT	28-29
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	30-71
LIST OF PROPERTIES HELD BY THE GROUP	72-73
FINANCIAL SUMMARY	74

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 Directors

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

Tang Sung Ki, CPA, FCCA (*Alternate Director to Desmond Chiu*)

COMPANY SECRETARY

Tang Sung Ki, CPA, FCCA

QUALIFIED ACCOUNTANT

Tang Sung Ki, CPA, FCCA

SOLICITORS

Woo Kwan Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

AUDIT COMMITTEE

Ip Shing Hing, J.P.

Duncan Chiu, B.Sc.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Corporate Information

REMUNERATION COMMITTEE

Derek Chiu, B.A.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

PRINCIPAL BANKERS

Allied Banking Corporation (Hong Kong) Limited

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

Standard Registrars 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

037

WEBSITE

<http://www.tricor.com.hk/web/service/00037>

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

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

Aged 82. Appointed as a Director and Chairman of the Company in 1979. 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. He 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. Husband of Madam Chiu Ju Ching Lan. 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 41. 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. Son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. 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 40. Joined and was appointed as Director of the Company in 1991 and was appointed as Deputy Managing Director of the Company in 1999. He graduated from the University of Cambridge, the United Kingdom. He is also a Non-executive Director of Far East Holdings International Limited. Son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. Brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

Ms. Margaret Chiu, LL.B.

Aged 50. Joined and was appointed as Director of the Company in 1989. She is also a Non-executive Director of Far East Holdings International Limited. She graduated with law degree from the University of Buckingham, the United Kingdom and has extensive experience in entertainment, television and motion picture business in Hong Kong, the People's Republic of China and overseas. Daughter of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. Sister of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Profile of Directors

Non-Executive Directors

Madam Chiu Ju Ching Lan, J.P.

Aged 68. 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. Madam Chiu 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. Wife of Mr. Deacon Te Ken Chiu. 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 56. Joined the Far East Group in 1974. Appointed as Director in 1979. He is also a Non-executive Director of Far East Consortium International Limited and has resigned on 4 July 2007. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. Son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. Brother of Messrs. David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Tan Sri Dato' David Chiu, B.SC.

Aged 53. 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 Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited ("FECIL") on 8th December, 1994 and 8th October, 1997 respectively. FECIL 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' 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 Ltd., which is listed on the Tokyo Stock Exchange. In regards of his devotion to the community services, he is a trustee member of The Better Hong Kong Foundation and a committee member of Autumn Festival Celebration People & Forces. In Malaysia, he was first conferred an honorary award which carries 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 48. 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. Son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. Brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Mr. Duncan Chiu, B.SC.

Aged 32. Joined and was appointed as Director of the Company in 1996. Mr. Chiu 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 and Golife Concepts Holdings Limited. He currently serves as Vice Chairman and Treasurer of The Chamber of Hong Kong Listed Companies, Vice President of Innovation & Technology Association, Committee Member of All-China Youth Federation and Vice Chairman of Henan Provincial Youth Federation. Son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan. 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 52. 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, a Master of Arts in Arbitration and Alternative Dispute Resolution from the City University of Hong Kong and has been a practising solicitor in Hong Kong for more than 20 years.

Mr. Ng Wing Hang Patrick

Aged 54. Mr. Ng was appointed as an Independent Non-executive Director of the Company on 28 September 2004. Mr. Ng is a practising Certified Public Accountant in Hong Kong and is the sole proprietor of Messrs. Patrick Ng & Company, Certified Public Accountants. Mr. Ng also serves as independent non-executive director on the boards of two other listed companies in Hong Kong, namely, Shenyin Wanguo (H.K.) Limited and Everbest Energy Holdings Limited.

Mr. Choy Wai Shek Raymond, MH, JP

Aged 58. Mr. Choy was appointed as an Independent Non-executive Director of the Company on 28 September 2004. Mr. Choy 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. Mr. Choy is now a member 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.

Profile of Directors

Alternate Directors

Mr. Chan Chi Hing

Aged 44. 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"), 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.

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

Mr. Tang Sung Ki, CPA, FCCA

Aged 47. Joined the Company in 1991 as Assistant Financial Controller and was appointed as alternate Director to Mr. Desmond Chiu on 11th December 1996. Prior to joining the Company, he gained his experience in auditing, accounting and finance in a major international CPA firm and in various publicly listed companies in Hong Kong. He is an associate member of Hong Kong Institute Of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He is also the secretary of the Company and Director of various subsidiaries of the Company.

Managing Director & Chief Executive's Statement

RESULTS

I report to the shareholders that the audited consolidated loss of the Group attributable to shareholders for the year ended 31 March 2007 amounted to HK\$49,430,180 (2006: loss of HK\$70,510,642).

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

REVIEW OF OPERATIONS

The overall turnover of Cheung Chau Warwick Hotel has increased by 6% compared with last year. During the year under review, the room turnover increased by 36% while the occupancy rate increased by 7.5%. The rooms division has achieved 5% growth in profit margin. In view of more competition in the local catering market in Cheung Chau, the turnover of the food and beverage division has slightly decreased compared with last year. Despite the increase in operating cost, the food and beverage division has achieved a steady profit margin.

The turnover of Beijing Warwick International Apartments has slightly decreased by 2% compared with last year. Nevertheless, the loss has been narrowed due to cost saving.

In securities investment and trading, the Group has recorded a profit of approximately HK\$21 million.

The Company has re-assessed the carrying value of its investment in an associated company which holds interest in land situated in Sydney, Australia and has decided to make an impairment provision of approximately HK\$49 million on its total investment cost

PROSPECTS

The first floor guest rooms upgrading work of Cheung Chau Warwick Hotel has been completed by April 2007. Facilities such as the Multiple-Function Room, the Spa Room and the Executive Lounge are tentatively scheduled to be completed by the end of July, and before the end of this year respectively.

The management believes that by adding these facilities, they can help to enhance our image as a resort hotel, enable us to accommodate guests with higher expectations, also broaden the clientele market, and as a result an increment in our total revenue.

For the coming year, the food and beverage division will try to broaden the stream of income, namely wedding banquets, poolside food and beverage service, etc.

For Beijing Warwick International Apartments, the management has strengthened its sales team and has widened its sales network. With the approaching of the 2008 Olympic Games event and the improvement of surrounding environment and facilities, the management believes that the turnover of Beijing Warwick International Apartments will further increase.

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.

Managing Director & Chief Executive's Statement

FINANCE ACTIVITIES

At 31 March 2007, the Group had bank credit facilities amounting to approximately HK\$97,238,000 (2006: HK\$57,169,000), of which approximately HK\$88,238,000 (2006: HK\$45,051,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 31 March 2007, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2007 amounted to approximately HK\$385 million (2006: approximately HK\$435 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2007 is 23% (2006: 10%).

POST BALANCE SHEET EVENTS

On 1 June 2007, a special resolution was passed in an extraordinary general meeting to approve capital reduction of the Company. After the capital reduction becomes effective, the Company will have a capital structure that permits the payment of dividends (subject to performance) and the issue of new shares for potential future fund raising exercises.

At the same extraordinary general meeting held on 1 June 2007, the ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by the shareholders.

Details of the capital reduction and the share option scheme are set out in the Company's circular dated 4 May 2007.

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

23 July 2007

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, 2007.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 23.

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 35 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 14 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, 2007 are set out on pages 72 and 73 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*)

Ms. Margaret Chiu

Directors' Report

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 directors

Mr. Chan Chi Hing (*Alternate to Mr. Deacon Te Ken Chiu*)
Mr. Tang Sung Ki (*Alternate to Mr. Desmond Chiu*)

In accordance with Articles 76, 78 and 79 of the Company's Articles of Association, one-third of the Directors except Managing Director shall retire from office and, being eligible, offer themselves for re-election.

In view of good Corporate Governance Practices, the Managing Director voluntarily retired from his office at the annual general meeting of the Company held on 24th August, 2006 notwithstanding that he was not required to do so by the Company's Article 76.

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mrs. 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, 2007, the interests and short positions of the directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures 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) Ordinary shares of HK\$1 each of the Company

Name of director	Personal interests	Corporate interests		Total	Approximate percentage of issued share capital of the Company
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:

- 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.
- The 78,430,299 shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu.
- The 22,277,033 shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.
- The 5,000,000 shares were held by a private company wholly owned by Ms. Margaret Chiu.

Directors' Report

(b) Share options of the Company

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Derek Chiu	Beneficial owner	1,000,000	1,000,000
Ms. Margaret Chiu	Beneficial owner	7,000,000	7,000,000
Mr. Tang Sung Ki	Beneficial owner	6,000,000	6,000,000
		<u>14,000,000</u>	<u>14,000,000</u>

Save as disclosed above, as at 31st March, 2007, none of the directors nor the Company's chief executives 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.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 44 to the consolidated financial statements.

A summary of the movements in share options during the year is as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options			Exercisable period
			Outstanding at 1.4.2006	Expired during the year	Outstanding at 31.3.2007	
Mr. Derek Chiu	9.9.1997	3.01	1,000,000	-	1,000,000	9.9.1997 - 8.9.2007
Madam Chiu Ju Ching Lan	11.4.1996	1.60	4,000,000	(4,000,000)	-	11.4.1996 - 10.4.2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	-	7,000,000	19.11.1997 - 18.11.2007
Mr. Tang Sung Ki	11.4.1996	1.60	150,000	(150,000)	-	11.4.1996 - 10.4.2006
	29.1.2000	1.00	6,000,000	-	6,000,000	29.1.2000 - 28.1.2010
			<u>18,150,000</u>	<u>(4,150,000)</u>	<u>14,000,000</u>	

Directors' Report

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, 2007, 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 five per cent. 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 (<i>Note 1</i>)	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. (<i>Note 2</i>)	Beneficial owner	78,430,299	16.04%

Notes:

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

Directors' Report

Save as disclosed above, as at 31st March, 2007 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 principal corporate governance practices adopted by the Company is set out on pages 17 to 21 of the annual report.

AUDIT COMMITTEE

The Company's audit committee comprises 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 has 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.

Directors' Report

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, 2007.

POST BALANCE SHEET EVENT

Details of post balance sheet event are set out in note 46 to the consolidated financial statements.

DONATION

During the year, the Group made charitable donation amounting to HK\$39,500.

AUDITORS

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

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

23 July 2007

Corporate Governance Report

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 2007.

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 fourteen Directors, whose biographical details are set out in the “Profile of the Directors” of this Annual Report. Four of the Directors are executive, five are non-executive, three are independent non-executive and two are alternate. The eight non-executive Directors has a broad range of financial, regulatory and commercial experience and skills, which contributes 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 2007. 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>)	3/4	75%
Derek Chiu (<i>Managing Director and Chief Executive</i>)	4/4	100%
Desmond Chiu (<i>Deputy Managing Director</i>)	1/4	25%
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	2/4	50%
Ng Wing Hang Patrick	3/4	75%
Choy Wai Shek Raymond	3/4	75%
Alternate Directors		
Chan Chi Hing (<i>Alternate Director to Deacon Te Ken Chiu</i>)	0/4	0%
Tang Sung Ki (<i>Alternate Director to Desmond Chiu</i>)	2/4	50%

Corporate Governance Report

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 and Remuneration Committees 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 2007, with deviations from code provision A.4.1 and A.4.2 of the Code in respect of the service term and rotation of Directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term and Managing Director is not subject to re-election by rotation by the Company's Articles of Association (the "Articles") 76. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company excluding Managing Director are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. In view of good Corporate Governance Practices, Managing Director voluntarily retired from his office at the annual general meeting of the Company held on 24 August 2006 notwithstanding that he was not required to do so by the Company's Article 76. 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.

AUDITORS' REMUNERATION

For the year ended 31 March 2007, the Auditors of the Company received approximately HK\$700,000 for audit service (2006: approximately HK\$650,000).

Corporate Governance Report

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 Model Code. 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 2007.

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 Auditors 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 the Audit Committee are consistent with the provisions set out in the relevant section of the Code.

The Audit Committee has reviewed with management and auditors 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.

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 auditors in matters within the scope of the group audit. Two meetings were held during the financial year ended 31 March 2007.

The Group's interim report for the six months ended 30 September 2006 and the annual report for the year ended 31 March 2007 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31 March 2007, the Audit Committee held two meetings. 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	1/2	50%
Choy Wai Shek Raymond	2/2	100%
Duncan Chiu	2/2	100%

Corporate Governance Report

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive, Mr. Derek Chiu of the Company. 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 terms 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 2007, the Remuneration Committee held one meeting. 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	0/1	0%
Choy Wai Shek Raymond	1/1	100%

Independent Auditor's Report

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 23 to 71, which comprise the consolidated and Company balance sheets as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement 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, 2007 and of the Group's loss 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
23rd July 2007

Consolidated Income Statement

For the Year ended 31st March, 2007

	Notes	2007 HK\$	2006 HK\$
Turnover	5	165,905,299	63,528,819
Revenue from hotel operation		13,662,525	12,861,220
Property rental income		6,056,855	6,201,153
License fee income		637,255	1,260,730
Cost of sales		(29,335,921)	(27,426,755)
Gross loss		(8,979,286)	(7,103,652)
Dividend income from listed securities		281,807	306,835
Increase in fair value of held-for-trading investment		21,069,893	1,182,346
Decrease in fair value of available-for-sale investments		(82,950)	–
Other income		1,562,702	1,570,345
Increase in fair value of investment properties	15	3,915,586	9,945
Administrative expenses		(17,117,458)	(13,487,009)
Finance costs	7	(3,747,005)	(2,078,339)
Write-off of special reserve	8	–	(37,225,662)
Share of results of associates		(45,933,469)	(13,685,451)
Loss before taxation	9	(49,030,180)	(70,510,642)
Taxation	12	(400,000)	–
Loss for the year		(49,430,180)	(70,510,642)
Loss per share	13	(10.11) cents	(14.42) cents

Consolidated Balance Sheet

At 31st March, 2007

	Notes	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	14	110,092,520	113,399,358
Investment properties	15	125,024,535	54,656,000
Prepaid lease payments	16	1,057,446	10,084,070
Intangible asset	17	–	4,656,200
Interests in associates	19	11,785,228	61,615,454
Available-for-sale investments	20	186,004,545	188,943,545
Deposits for acquisition of investment properties		–	10,200,000
		433,964,274	443,554,627
CURRENT ASSETS			
Prepaid lease payments	16	28,050	251,582
Held-for-trading investments	21	20,480,520	9,591,610
Inventories	22	415,956	418,164
Trade and other receivables	23	2,064,018	8,321,421
Amount due from an associate	25	203,562	200,390
Amounts due from related companies	26	572,488	672,488
Pledged bank deposits	27	2,324,734	2,238,753
Bank balances and cash	27	40,230,730	38,852,673
		66,320,058	60,547,081
CURRENT LIABILITIES			
Trade and other payables	28	7,175,104	6,901,172
Deposits received		463,346	353,000
Amounts due to associates	25	6,777,085	4,651,129
Amounts due to related companies	30	171,822	135,400
Amount due to a minority shareholder	31	2,213,400	1,472,440
Obligations under finance leases - due within one year	32	442,773	507,363
Secured bank borrowings - due within one year	33	4,264,068	3,465,700
		21,507,598	17,486,204
NET CURRENT ASSETS			
		44,812,460	43,060,877
		478,776,734	486,615,504

Consolidated Balance Sheet

At 31st March, 2007

	Notes	2007 HK\$	2006 HK\$
CAPITAL AND RESERVES			
Share capital	34	488,842,675	488,842,675
Reserves		(104,290,439)	(54,105,608)
		384,552,236	434,737,067
NON-CURRENT LIABILITIES			
Deferred taxation	36	7,919,423	7,519,423
Provision for long service payments	37	2,055,013	2,055,013
Obligations under finance leases – due after one year	32	276,200	718,973
Secured bank borrowings – due after one year	33	83,973,862	41,585,028
		94,224,498	51,878,437
		478,776,734	486,615,504

The financial statements on pages 23 to 71 were approved and authorised for issue by the Board of Directors on 23rd July 2007 and are signed on its behalf by:

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Company Balance Sheet

At 31st March, 2007

	Notes	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,760,585	1,971,255
Intangible asset	17	–	4,656,200
Investments in subsidiaries	18	77,789,728	77,789,728
Interests in associates	19	3	48,978,512
Available-for-sale investments	20	157,026,351	157,026,351
		236,576,667	290,422,046
CURRENT ASSETS			
Held-for-trading investments	21	658,000	720,000
Other receivables		463,738	6,531,420
Amounts due from subsidiaries	24	166,926,816	201,326,992
Amount due from an associate	25	203,563	203,563
Amounts due from related companies	26	420,716	420,716
Pledged bank deposits	27	2,197,794	2,116,051
Bank balances and cash	27	36,186,034	38,174,270
		207,056,661	249,493,012
CURRENT LIABILITIES			
Other payables		1,342,307	1,190,290
Amounts due to subsidiaries	29	13,132,171	106,240,203
Amounts due to associates	25	10,704	1,841,204
Amounts due to related companies	30	403,764	267,342
Obligations under finance leases – due within one year	32	442,773	507,363
Secured bank borrowings – due within one year	33	2,240,000	2,101,165
		17,571,719	112,147,567
NET CURRENT ASSETS			
		189,484,942	137,345,445
		426,061,609	427,767,491
CAPITAL AND RESERVES			
Share capital	34	488,842,675	488,842,675
Reserves	35	(89,434,166)	(78,879,211)
		399,408,509	409,963,464
NON-CURRENT LIABILITIES			
Provision for long service payments	37	1,176,900	1,176,900
Obligations under finance leases – due after one year	32	276,200	718,973
Secured bank borrowings – due after one year	33	25,200,000	15,908,154
		26,653,100	17,804,027
		426,061,609	427,767,491

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2007

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Investment revaluation reserve	Property revaluation reserve	Exchange reserve	Special reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st April, 2005	488,842,675	92,805,386	21,223,231	28,990,000	-	-	(2,754,806)	(37,225,662)	(126,067,370)	465,813,454
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(357,982)	-	-	(357,982)
Share of movements in post - acquisition reserves of an associate	-	-	-	-	-	-	1,914,825	-	-	1,914,825
Change in fair value of available-for - sale investments	-	-	-	-	651,750	-	-	-	-	651,750
Net income recognised directly in equity	-	-	-	-	651,750	-	1,556,843	-	-	2,208,593
Write-off of special reserve (note 8)	-	-	-	-	-	-	-	37,225,662	-	37,225,662
Loss for the year	-	-	-	-	-	-	-	-	(70,510,642)	(70,510,642)
Total recognised income and expense for the year	-	-	-	-	651,750	-	1,556,843	37,225,662	(70,510,642)	(31,076,387)
At 31st March, 2006	488,842,675	92,805,386	21,223,231	28,990,000	651,750	-	(1,197,963)	-	(196,578,012)	434,737,067
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(944,676)	-	-	(944,676)
Share of movements in post - acquisition reserves of an associate	-	-	-	-	-	-	(2,096,757)	-	-	(2,096,757)
Change in fair value of available-for - sale investments	-	-	-	-	(651,750)	-	-	-	-	(651,750)
Surplus on revaluation of properties (note 14b)	-	-	-	-	-	2,938,532	-	-	-	2,938,532
Net income recognised directly in equity	-	-	-	-	(651,750)	2,938,532	(3,041,433)	-	-	(754,651)
Loss for the year	-	-	-	-	-	-	-	-	(49,430,180)	(49,430,180)
Total recognised income and expense for the year	-	-	-	-	(651,750)	2,938,532	(3,041,433)	-	(49,430,180)	(50,184,831)
At 31st March, 2007	488,842,675	92,805,386	21,223,231	28,990,000	-	2,938,532	(4,239,396)	-	(246,008,192)	384,552,236

Note:

The capital reserve represents the portion of profit on disposal in 1982 of the Group's assets to an associate, which is deferred to the extent of the Group's attributable interests therein. The amounts deferred will be recognised as the Group's profit only when the Group's equity interest in the associate is decreased or the assets are sold to third parties.

Consolidated Cash Flow Statement

For the Year ended 31st March, 2007

	2007 HK\$	2006 HK\$
OPERATING ACTIVITIES		
Loss before taxation	(49,030,180)	(70,510,642)
Adjustments for:		
Dividend income	(281,807)	(306,835)
Interest income	(1,562,702)	(1,516,972)
Allowance for doubtful debts	3,481,040	115,491
Amortisation of intangible asset	1,885,400	1,885,400
Impairment loss on intangible asset	2,770,800	–
Release of prepaid lease payments	139,833	251,582
Depreciation	8,990,868	8,081,989
Finance costs	3,747,005	2,078,339
Write-off of special reserve	–	37,225,662
Loss on disposal of property, plant and equipment	340,417	183,848
Decrease in fair value of available-for-sale investment	82,950	–
Increase in fair value of investment properties	(3,915,586)	(9,945)
Share of results of associates	45,933,469	13,685,451
Exchange gain	(2,387,075)	(1,119,877)
Operating cash flows before movements in working capital	10,194,432	(9,956,509)
Increase in held-for-trading investments	(10,888,910)	(1,256,738)
Decrease in inventories	2,208	63,099
Decrease (increase) in trade and other receivables	2,776,363	(957,369)
(Increase) decrease in amount due from an associate	(3,172)	420,904
Decrease in amounts due from related companies	100,000	131,942
Increase (decrease) in trade and other payables	273,932	(3,248,142)
Increase (decrease) in deposits received	110,346	(167,860)
Increase (decrease) in amounts due to associates	2,125,956	(1,491,211)
Decrease in amounts due to directors	–	(246,109)
Increase in amounts due to related companies	36,422	34,590
Decrease in provision for long service payments	–	(109,521)
CASH GENERATED FROM (USED IN) OPERATIONS AND NET CASH USED IN OPERATING ACTIVITIES	4,727,577	(16,782,924)

Consolidated Cash Flow Statement

For the Year ended 31st March, 2007

	2007 HK\$	2006 HK\$
INVESTING ACTIVITIES		
Dividend received from an associate	1,800,000	60,000,000
Dividends received from investments	281,807	306,835
Interest received	1,562,702	1,516,972
Net proceeds on disposal of investment properties	–	1,059,282
Proceeds on disposal of property, plant and equipment	–	305,901
Proceeds on disposal of available-for-sale investment	2,204,300	–
Increase in pledged bank deposits	(85,981)	(60,561)
Acquisition of property, plant and equipment	(6,033,193)	(6,979,938)
Acquisition of investment properties	(42,752,949)	(187,547)
Deposit for acquisition of properties	–	(10,200,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(43,023,314)	45,760,944
FINANCING ACTIVITIES		
Interest paid on bank and other borrowings	(3,657,477)	(2,047,775)
Interest paid on finance leases	(89,528)	(30,564)
Repayment of obligations under finance leases	(507,363)	(436,888)
New bank and other borrowings raised	63,420,000	7,911,858
Repayment of bank and other borrowings	(20,232,798)	(3,867,313)
Advance from a minority shareholder	740,960	510,176
NET CASH FROM FINANCING ACTIVITIES	39,673,794	2,039,494
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,378,057	31,017,514
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	38,852,673	7,835,159
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	40,230,730	38,852,673

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

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 and associates are set out in notes 18 and 19 respectively.

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

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007

⁷ Effective for annual periods beginning on or after 1st January, 2008

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. 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 (“HKFRSs”) 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 and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are below:

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 income statement 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 in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been 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 the consolidated income statement on a straight-line basis over the terms of the relevant leases.

Sales of securities are recognised when the sale becomes unconditional.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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

License fee income is recognised when the Group's entitlement to such payments have been established and is recognised on a straight-line basis over the term of license period.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 the consolidated income statement in the year in which the item is derecognised.

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is increased, the surplus is credited directly to equity (property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to accumulated losses. The transfer from revaluation surplus to accumulated losses is not made through profit or loss.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured 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 and classified 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 the consolidated income statement in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. Property interests held under operating lease previously classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Subsidiaries

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

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.

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 balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, 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.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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. 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, which are carried at cost and amortised over the lease term on a straight-line basis.

Intangible asset

The intangible asset represents the cost of acquisition of a sauna business licence in the People's Republic of China (the "PRC") and is initially recognised at cost. After initial recognition, the intangible asset, which has a finite useful life, is carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over its estimated useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment

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

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

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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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. 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 one of the three categories, including financial assets held for trading, loans and receivables, and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below:

Financial assets held for trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading (i.e. trading securities) are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories (under HKAS 39). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to the consolidated income statement in subsequent periods.

For 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 reverse in subsequent periods.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, amounts due from related companies, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

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 entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, amounts due to associates and related companies and amount due to a minority shareholder, bank borrowings and obligation under finance leases) are measured at amortised cost, using the effective interest method after initial recognition.

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 directly in equity is recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are charged to profit or loss 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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

All borrowing costs are recognised as, and included in, finance costs in the consolidated income statement 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.

Share-based payments

In relation to share options granted before 7th November, 2002 and vested before 1st January, 2005, the financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences gained over the development history of the Group and also by reference to the relevant industrial norm.

Income taxes

As at 31st March, 2007 and 2006, a deferred tax liability of HK\$7,919,423 and HK\$7,519,423 respectively in relation to accelerated tax depreciation and unused tax losses has been recognised as set out in note 36. No deferred tax asset has been recognised in respect of tax losses of HK\$102,207,000 and HK\$98,157,000 as at 31st March, 2007 and 2006, 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 cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. TURNOVER

	2007 HK\$	2006 HK\$
Revenue from securities trading	145,266,857	42,898,881
Revenue from hotel operation	13,662,525	12,861,220
Property rental income from:		
Service apartment	6,056,855	6,192,753
Investment properties	–	8,400
Dividend income from securities investment	281,807	306,835
License fee income	637,255	1,260,730
	165,905,299	63,528,819

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions - hotel operation, property letting, securities investment and trading, and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	–	operation of a hotel
Property letting	–	leasing of investment properties and service apartment
Securities investment and trading	–	investment and trading in securities
Investment holding	–	investment in a sauna business licence

Segment information about these businesses is presented below.

2007

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
REVENUE					
Turnover	13,662,525	6,056,855	145,548,664	637,255	165,905,299
RESULTS					
Segment (loss) profit	(696,204)	(1,931,523)	21,268,750	(3,146,882)	15,494,141
Bank interest income					690,639
Unallocated corporate expenses					(15,534,486)
Finance costs					(3,747,005)
Share of results of associates					(45,933,469)
Loss before taxation					(49,030,180)
Taxation					(400,000)
Loss for the year					(49,430,180)
ASSETS					
Segment assets	36,818,667	182,184,716	206,514,307	–	425,517,690
Interests in associates					11,785,228
Unallocated assets					62,981,414
Consolidated total assets					500,284,332
LIABILITIES					
Segment liabilities	2,116,001	7,332,797	50,000	–	9,498,798
Deferred tax liabilities					7,919,423
Finance lease obligations					718,973
Borrowings					88,237,930
Unallocated liabilities					9,356,972
Consolidated total liabilities					115,732,096

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Unallocated HK\$	Consolidated HK\$
OTHER INFORMATION						
Capital additions	2,336,251	56,649,891	-	-	-	58,986,142
Depreciation	2,957,944	5,666,475	-	-	366,449	8,990,868
Release of prepaid lease payments	28,050	111,783	-	-	-	139,833
Allowance for doubtful debts	-	264,136	-	-	3,216,904	3,481,040
Amortisation of intangible assets	-	-	-	1,885,400	-	1,885,400
Impairment loss on intangible assets	-	-	-	2,770,800	-	2,770,800
Loss on disposal of property, plant and equipment	-	323,261	-	-	17,156	340,417

2006

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
REVENUE					
Turnover	12,861,220	6,201,153	43,205,716	1,260,730	63,528,819
RESULTS					
Segment (loss) profit	(1,933,496)	(6,118,513)	1,489,182	(624,670)	(7,187,497)
Bank interest income					1,032,760
Unallocated corporate expenses					(11,366,453)
Finance costs					(2,078,339)
Write-off of special reserve					(37,225,662)
Share of results of associates					(13,685,451)
Loss before taxation					(70,510,642)
Taxation					-
Loss for the year					(70,510,642)
ASSETS					
Segment assets	37,338,831	109,983,406	200,422,405	4,656,200	352,400,842
Interests in associates					61,615,454
Unallocated assets					90,085,412
Consolidated total assets					504,101,708
LIABILITIES					
Segment liabilities	2,309,724	5,626,575	105,553	-	8,041,852
Deferred tax liabilities					7,519,423
Finance lease obligations					1,226,336
Borrowings					45,050,728
Unallocated liabilities					7,526,302
Consolidated total liabilities					69,364,641

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Unallocated HK\$	Consolidated HK\$
OTHER INFORMATION						
Capital additions	5,933,017	963,163	-	-	1,588,305	8,484,485
Depreciation	2,888,393	4,271,164	-	-	922,432	8,081,989
Release of prepaid lease payments	28,016	-	-	-	223,566	251,582
Allowance for doubtful debts	-	115,491	-	-	-	115,491
Amortisation of intangible asset	-	-	-	1,885,400	-	1,885,400
Loss on disposal of property, plant and equipment	-	-	-	-	183,848	<u>183,848</u>

Geographical segments

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

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

	2007 HK\$	2006 HK\$
Hong Kong	159,848,444	57,336,066
Other regions in the PRC	6,056,855	6,192,753
	165,905,299	<u>63,528,819</u>

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

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Hong Kong	443,244,469	447,854,960	56,222,988	7,708,869
Other regions in the PRC	57,039,863	56,246,748	2,763,154	775,616
	500,284,332	<u>504,101,708</u>	58,986,142	<u>8,484,485</u>

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

7. FINANCE COSTS

	2007 HK\$	2006 HK\$
Interest on bank and other borrowings:		
Wholly repayable within five years	6,728	31,310
Not wholly repayable within five years	3,650,749	2,016,465
Interest on finance leases	89,528	30,564
	3,747,005	2,078,339

8. WRITE-OFF OF SPECIAL RESERVE

The amount represented the differences between the fair value and the carrying amount of the property, plant and equipment attributable to the additional interest in a subsidiary acquired by the Group. During the year ended 2006, the directors reviewed the carrying value of the asset to which the reserve related by reference to a professional valuation carried out on 31st March, 2006 and determined that the asset was fully impaired. Accordingly, the impairment loss was recognised in the income statement.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

9. LOSS BEFORE TAXATION

	2007 HK\$	2006 HK\$
Loss before taxation has been arrived at after charging:		
Amortisation of intangible asset (included in cost of sales)	1,885,400	1,885,400
Depreciation:		
Owned assets	8,777,778	7,896,625
Assets held under finance leases	213,090	185,364
	10,876,268	9,967,389
Allowance for doubtful debts	3,481,040	115,491
Release of prepaid lease payments	139,833	251,582
Impairment loss on intangible asset (included in cost of sales)	2,770,800	–
Auditors' remuneration		
Current year	575,045	650,000
Underprovision prior years	–	24,409
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK\$381,845 (2006: HK\$416,213)	5,061,304	4,514,392
Loss on disposal of property, plant and equipment	340,417	183,848
Operating lease rentals in respect of buildings	3,404,466	4,041,585
and after crediting:		
Share of taxation of associates (included in share of results of associates)	186,662	2,711,414
Bank interest income	690,639	1,032,760
Exchange gain, net	1,399,986	1,077,134
Other interest income	872,063	484,212

Rental income, net of: -

Outgoings from properties that generated rental income during the year of HK\$2,020,315 (2006: HK\$1,939,656).

Outgoings from properties that did not generate rental income during the year of HK\$822,105 (2006: HK\$259,960).

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2006: fourteen) directors were as follows:

Name of directors	Fees HK\$	Salaries and other benefits HK\$	Retirement benefit schemes contributions HK\$	Performance related bonus HK\$ (Note)	Total HK\$
2007					
Mr. Deacon Te Ken Chiu	20,000	-	-	-	20,000
Mr. Derek Chiu	10,000	871,914	12,000	350,000	1,243,914
Mr. Desmond Chiu	10,000	-	-	-	10,000
Ms. Margaret Chiu	10,000	227,213	12,000	-	249,213
Madam Chiu Ju Ching Lan	10,000	300,000	-	-	310,000
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	180,000	9,000	-	199,000
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	10,000	-	-	-	10,000
Mr. Tang Sung Ki	10,000	435,400	12,000	-	457,400
	480,000	2,014,527	45,000	350,000	2,889,527
2006					
Mr. Deacon Te Ken Chiu	20,000	-	-	-	20,000
Mr. Derek Chiu	10,000	450,414	12,000	500,000	972,414
Mr. Desmond Chiu	10,000	-	-	-	10,000
Ms. Margaret Chiu	10,000	240,390	12,000	-	262,390
Madam Chiu Ju Ching Lan	10,000	300,000	-	-	310,000
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	180,000	9,000	-	199,000
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	10,000	-	-	-	10,000
Mr. Tang Sung Ki	10,000	435,400	12,000	-	457,400
	480,000	1,606,204	45,000	500,000	2,631,204

Note: The performance related bonus payable to the executive directors is determined based on the performance of the individual directors.

In addition to 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\$516,000 (2006: HK\$292,800).

No directors waived any emoluments in the year ended 31st March, 2007 and 2006.

During the year ended 31st March, 2007 and 2006, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: three) were directors whose emoluments are disclosed above. The emoluments of the remaining two (2006: two) individuals were as follows:

	2007 HK\$	2006 HK\$
Salaries and other benefits	651,054	622,883
Retirement benefit schemes contributions	24,000	24,000
	675,054	646,883

12. TAXATION

Taxation charge represents the deferred taxation charged for the year.

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

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007 HK\$	2006 HK\$
Loss before taxation	(49,030,180)	(70,510,642)
Tax at the domestic income tax rate of 17.5%	(8,580,282)	(12,339,362)
Tax effect of share of results of associates	8,038,357	2,394,953
Tax effect of expenses not deductible for tax purposes	1,296,949	7,139,786
Tax effect of income not taxable for tax purposes	(187,570)	(315,217)
Tax effect of tax losses not recognised	1,705,873	4,198,895
Tax effect of utilisation of tax losses previously not recognised	(996,987)	(58,091)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(681,788)	(665,559)
Others	(194,552)	(355,405)
Taxation for the year	400,000	–

Details of deferred taxation are set out in note 36.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year of HK\$49,430,180 (2006: loss of HK\$70,510,642) and 488,842,675 (2006: 488,842,675) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share for both years is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for both years.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

14. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY	
	Leasehold land and buildings in Hong Kong HK\$	Buildings in PRC in PRC HK\$	Hotel property in Hong Kong HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$	Leasehold improvements HK\$	Total HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$
COST							
At 1st April, 2005	2,448,824	81,390,955	37,323,408	26,320,207	601,750	148,085,144	1,981,756
Exchange adjustments	-	1,037,127	-	209,366	-	1,246,493	-
Additions	-	674,578	-	7,366,812	255,548	8,296,938	1,332,759
Disposals	-	-	-	(995,174)	-	(995,174)	(995,174)
Transfer from investment properties	19,333,020	-	-	-	-	19,333,020	-
At 31st March, 2006	21,781,844	83,102,660	37,323,408	32,901,211	857,298	175,966,421	2,319,341
Exchange adjustments	-	2,137,027	-	429,537	-	2,566,564	-
Additions	-	1,196,875	-	2,437,693	2,398,625	6,033,193	38,908
Disposals	-	-	-	(945,689)	(601,750)	(1,547,439)	(32,578)
Reclassified to investment property	(1,934,860)	-	-	-	-	(1,934,860)	-
At 31st March, 2007	19,846,984	86,436,562	37,323,408	34,822,752	2,654,173	181,083,879	2,325,671
DEPRECIATION AND IMPAIRMENT							
At 1st April, 2005	939,633	25,663,582	16,173,476	11,127,460	601,750	54,505,901	649,439
Exchange adjustments	-	348,826	-	135,772	-	484,598	-
Provided for the year	493,591	3,643,098	746,468	3,071,057	127,775	8,081,989	204,072
Eliminated on disposals	-	-	-	(505,425)	-	(505,425)	(505,425)
At 31st March, 2006	1,433,224	29,655,506	16,919,944	13,828,864	729,525	62,567,063	348,086
Exchange adjustments	-	815,832	-	308,333	-	1,124,165	-
Provided for the year	474,245	3,695,248	746,472	3,147,587	927,316	8,990,868	232,422
Eliminated on disposals	-	-	-	(605,272)	(601,750)	(1,207,022)	(15,422)
Reclassified to investment property	(483,715)	-	-	-	-	(483,715)	-
At 31st March, 2007	1,423,754	34,166,586	17,666,416	16,679,512	1,055,091	70,991,359	565,086
CARRYING VALUES							
At 31st March, 2007	18,423,230	52,269,976	19,656,992	18,143,240	1,599,082	110,092,520	1,760,585
At 31st March, 2006	20,348,620	53,447,154	20,403,464	19,072,347	127,773	113,399,358	1,971,255

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

14. PROPERTY, PLANT AND EQUIPMENT - continued

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 improvement, furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

- (b) During the year, a property, comprising a leasehold interest in land and buildings with an aggregate fair value of HK\$13,500,000 was transferred from property, plant and equipment and prepaid lease payments for land to investment properties. The fair value of such building and prepaid lease payments for land at the date of transfer was determined by reference to a valuation carried out by Lanbase Surveyors Limited, independent qualified professional valuers not connected with the Group. The difference between the aggregate fair value of building and prepaid lease payments for land and their aggregate carrying value amounted to HK\$2,938,532, which is attributable to prepaid lease payments for land and has been credited to the equity.
- (c) The properties located in Hong Kong with a carrying value HK\$38,080,222 (2006: HK\$40,752,084) and the PRC with a carrying value HK\$52,269,976 (2006: HK\$53,447,154) are held under medium-term leases.
- (d) The carrying values of the Group's and the Company's motor vehicles includes an amount of HK\$1,623,677 (2006: HK\$1,836,767) in respect of assets held under finance leases.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

15. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT FAIR VALUE	
At 1st April, 2005	74,850,810
Additions	187,547
Transfer to property, plant and equipment	(19,333,020)
Disposals	(1,020,000)
Decrease in fair value recognised in consolidated income statement	<u>(29,337)</u>
At 31st March, 2006	54,656,000
Additions	52,952,949
Reclassified from property, plant and equipment and prepaid lease payments	13,500,000
Increase in fair value recognised in consolidated income statement	<u>3,915,586</u>
At 31st March, 2007	<u>125,024,535</u>

Certain investment properties with a carrying value of HK\$36,284,000 (2006: HK\$35,384,000) 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 value of the Group's investment properties at 31st March, 2007 and 2006 has been arrived at on the basis of a valuation carried out on that date by Lanbase Surveyors Limited, an independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of Lanbase Surveyors Limited who is a member of The Hong Kong Institute of Surveyors ("HKIS"), and the valuation, which is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by HKIS, was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties under the prevailing property market conditions.

All of the Group's property interest's 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, 2007, the carrying amount of such property interests amounted to HK\$125,024,535 (2006: HK\$54,656,000).

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

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	
	2007 HK\$	2006 HK\$
Non-current assets	1,057,446	10,084,070
Current assets	28,050	251,582
	1,085,496	10,335,652

17. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY HK\$
GROSS AMOUNT	
At 1st April, 2005 and 31st March, 2006	11,312,400
Impairment loss recognised during the year	(11,312,400)
At 31st March, 2007	—
AMORTISATION AND IMPAIRMENT	
At 1st April, 2005	4,770,800
Charged for the year	1,885,400
At 31st March, 2006	6,656,200
Charged for the year	1,885,400
Impairment loss recognised during the year	(8,541,600)
At 31st March, 2007	—
CARRYING VALUES	
At 31st March, 2007	—
At 31st March, 2006	4,656,200

The intangible asset represents the cost of acquisition of a sauna business licence operating in the PRC. Under an agreement signed with a PRC partner on 23rd September, 2002, the Group transferred the right of business operation to the PRC partner for a period of four years commencing from 1st October, 2002 at an annual fee of RMB1,300,000. The intangible asset is amortised over the licence period of the asset of six years. During the year, the Group recognised an impairment loss of HK\$2,770,800 upon the expiry of the agreement.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007 HK\$	2006 HK\$
Unlisted shares, at cost	89,209,222	89,209,222
Less: Impairment loss recognised	(11,419,494)	(11,419,494)
	77,789,728	77,789,728

Particulars of the subsidiaries of the Company at 31st March, 2007 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	
		%	%	
Alabama Investment Company Limited	HK\$9,000 Ordinary shares	97.8	–	Hotel operation
Anway Century Limited	HK\$1 Ordinary share	100	–	Inactive
Bright Unit Limited *	HK\$1 Ordinary share	100	–	Inactive
Brighten Heart Limited	HK\$1 Ordinary share	100	–	Property investment
Cankon Properties Limited	HK\$2 Ordinary shares	100	–	Property investment
Far East Communication Technology Limited	HK\$2 Ordinary shares	100	–	Investment holding
Faubert Investment Limited	HK\$2 Ordinary shares	100	–	Inactive
Gaingrace Limited	HK\$1 Ordinary share	100	–	Property investment
Garmelo Secretarial Limited	HK\$2 Ordinary shares	100	–	Provision of company secretarial services

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

18. 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	
		%	%	
Grand Sparkle Limited	HK\$1 Ordinary share	100	–	Property investment
Jeanstar Limited	HK\$1 Ordinary share	100	–	Property investment
Jenago Limited	HK\$2 Ordinary shares	100	–	Inactive
Kingwell Century Limited	HK\$2 Ordinary shares	100	–	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK\$25,200,000 Ordinary shares	100	–	Property investment
Long Challenge Limited	HK\$10,000 Ordinary shares	100	–	Investment holding
Mainstar International Limited	HK\$1 Ordinary shares	100	–	Property investment
Neochem Development Limited	HK\$100 Ordinary shares	100	–	Property sub-letting
Ongrade Limited	HK\$1 Ordinary share	100	–	Property investment
Rex Entertainment Limited	HK\$100,000 Ordinary shares	100	–	Property investment
Saneworld Limited	HK\$1 Ordinary share	100	–	Property investment
Sintex Holdings Limited	US\$1 Ordinary share	100	–	Investment holding

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

18. 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	
		%	%	
Superlight Limited	HK\$2 Ordinary shares	100	–	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	–	90	Property investment and service apartments operation
Chartersend Limited	HK\$2 Ordinary shares	–	100	Inactive
Far East Global Entertainment Limited	HK\$2 Ordinary shares	–	100	Property sub-letting
Jones Town Limited	HK\$2 Ordinary shares	–	100	Property investment
Oneyon Limited	HK\$2 Ordinary shares	–	100	Investment holding
Tradeland Investments Limited	HK\$250,000 Ordinary shares	–	100	Investment holding
Yuk Sue Investment Limited	HK\$2 Ordinary shares	–	100	Securities trading and investment

* Except for this subsidiary, all the other subsidiaries were also held by the Group as at 31st March, 2006.

All the 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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Unlisted shares, at cost	212,578,514	212,578,514	212,578,512	212,578,512
Share of post-acquisition loss, net of dividend	(200,793,286)	(150,963,060)	–	–
Impairment loss recognised	–	–	(212,578,509)	(163,600,000)
	11,785,228	61,615,454	3	48,978,512

The Group has discontinued recognition of its share of loss of an associate. The amounts of unrecognised share of this associate, extracted from the relevant unaudited management accounts of associates for the year is as follows:

	HK\$
Unrecognised share of loss of an associate for the year	29,358,157
Accumulated unrecognised share of loss of an associate	<u>29,358,157</u>

The directors of the Company have reviewed the carrying amount of the investment in an associate of the Company as at 31st March, 2007, and have determined to recognise an impairment loss of HK\$48,978,509 (2006: HK\$24,600,000). In 2007, the impairment is made by reference to a valuation carried out on that date on the underlying assets of the associate performed by Land Asia Surveyors Limited, an independent qualified professional valuers not connected with the Group, as the directors of the Company do not have any definite plan of redevelopment of an amusement park owned by the associate.

The valuation was arrived by using the “existing use basis” approach.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

19. INTERESTS IN ASSOCIATES - continued

Particulars of the associates of the Group at 31st March, 2007 and 2006 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
Bestyard Limited	Hong Kong	HK\$2 Ordinary shares	50	Property sub-letting
Bolan Holdings N.V. #	Netherlands Antilles/ Australia	US\$100 Common shares US\$6,000 Non-cumulative 5% preference shares	45	Investment holding
Central More Limited #	Hong Kong	HK\$2 Ordinary shares	50	Property development
Nob Hill Management Limited #	Hong Kong	HK\$2 Ordinary shares	50	Property management
Polyspring Limited	Hong Kong	HK\$4 Ordinary shares	50	Inactive

In order to avoid unreasonable delay in the production of the Group's consolidated financial statements, the financial statements of these associates which are prepared to 31st December are used.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

19. INTERESTS IN ASSOCIATES - continued

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

Results

	Year ended 31st March,	
	2007	2006
	HK\$	HK\$
Revenue	4,912,786	4,483,333
Loss for the year	(102,287,869)	(27,814,706)
Group's share of result of associates for the year	(45,933,469)	(13,685,451)

Financial position

	At 31st March,	
	2007	2006
	HK\$	HK\$
Total assets	27,886,708	403,377,268
Total liabilities	(69,556,599)	(269,259,485)
Net assets	(41,669,891)	134,117,783
Group's share of net assets of associates	11,785,228	61,615,454

20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2007	2006
	HK\$	HK\$
Equity securities listed in Hong Kong, at fair value	5,593,000	8,532,000
Unlisted equity securities overseas, at cost	180,411,545	180,411,545
	186,004,545	188,943,545

	THE COMPANY	
	2007	2006
	HK\$	HK\$
Unlisted equity securities overseas, at cost	157,026,351	157,026,351

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

20. AVAILABLE-FOR-SALE INVESTMENTS - continued

At the balance sheet date, the listed available-for-sale investments are stated at fair value determined by reference to the quoted market bid prices available on the Stock Exchange. The unlisted equity securities are stated at cost as their fair values cannot be measured reliably.

The unlisted equity securities are measured at cost less impairment, if any, at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

Particulars of the available-for-sale investments at 31st March, 2007 are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group %	Place of incorporation	Principal activities
Warwick Holdings S.A.	16.09	Luxemburg	Investment holding, hotel investment and operation
Far East Consortium International Limited ("FEC")	0.12	Cayman Islands (Listed in Hong Kong)	Investment holding and property investment

The listed equity securities with carrying value of HK\$5,593,000 (2006: HK\$8,532,000) are registered in name of Mr. Derek Chiu, director of the Company, as trustee for the Group.

The Group's interest in a former overseas associate, Warwick Holdings S.A., was reclassified as investment securities in early January 1988 after the Group disposed of part of its interest therein and the Group was no longer in a position to exercise significant influence over the investee. The investment is stated at its carrying value at the date of reclassification, which comprises its cost of acquisition plus the Group's share of its post-acquisition profits accounted for using the equity method up to that date, as reduced by any impairment loss.

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

21. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2007 HK\$	2006 HK\$
Equity securities listed in Hong Kong, at fair value	13,681,420	2,470,300
Warrants listed in Hong Kong, at fair value	6,799,100	7,121,310
	20,480,520	9,591,610

	THE COMPANY	
	2007 HK\$	2006 HK\$
Equity securities listed in Hong Kong, at fair value	658,000	720,000

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

22. INVENTORIES

The amount represents food and beverage and other consumable, of which HK\$288,057 (2006: HK\$330,681) are stated at net realisable value.

23. 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 receivables at the balance sheet date:

	THE GROUP	
	2007 HK\$	2006 HK\$
0 – 30 days	200,500	79,157
31 – 60 days	23,081	40,100
Over 60 days	114,422	296,086
Trade receivables	338,003	415,343
Other receivables	1,726,015	7,906,078
	2,064,018	8,321,421

In prior year, included in other receivables of the Group and the Company were amounts of HK\$1,864,000 which bear interests ranging from 3% to Hong Kong Prime Rate plus 1% per annum.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

24. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured and repayable on demand. Except for an amount of HK\$78,894,573 (2006: HK\$72,174,496), which bears interest at Hong Kong Prime Rate minus 4% per annum, the remaining amounts are interest-free.

25. AMOUNTS DUE FROM/TO ASSOCIATES

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

26. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from companies controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP			THE COMPANY		
		Balance	Balance	Maximum	Balance	Balance	Maximum
		at	at	amount	at	at	amount
		31.3.2007	1.4.2006	during the year	31.3.2007	1.4.2006	during the year
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Far East Holdings International Limited (formerly known as "Far East Technology International Limited")	Deacon Te Ken Chiu David Chiu Margaret Chiu Dennis Chiu Derek Chiu Desmond Chiu Duncan Chiu	420,716	420,716	420,716	420,716	420,716	420,716
Tang Dynasty City Pte. Ltd.	Deacon Te Ken Chiu Dennis Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te Ken Chiu)	151,772	251,772	251,772	-	-	-
		572,488	672,488		420,716	420,716	

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

27. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The pledged bank deposits carry interest at the rate ranging from 3% - 4% per annum and represent deposits pledged to a bank to secure banking facilities granted to the Group.

Bank balances carry interest at prevailing market interest rates ranging from 3.2% to 4.5% per annum.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

28. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2007 HK\$	2006 HK\$
0 – 30 days	800,790	668,825
31 – 60 days	229,556	356,828
Over 60 days	1,652,950	1,634,882
Trade payables	2,683,296	2,660,535
Other payables	4,491,808	4,240,637
	7,175,104	6,901,172

29. AMOUNTS DUE TO SUBSIDIARIES

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

30. AMOUNTS DUE TO RELATED COMPANIES

Name of company	Name of common directors	THE GROUP		THE COMPANY	
		2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu	47,783	68,562	47,783	68,562
Tang Dynasty City Pte. Ltd.	Deacon Te Ken Chiu Dennis Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te Ken Chiu)	–	–	231,942	131,942
Far East Theatres Management Limited	Deacon Te Ken Chiu Chiu Ju Ching Lan Dick Tat Sang Chiu David Chiu	124,039	66,838	124,039	66,838
		171,822	135,400	403,764	267,342

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

31. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
THE GROUP AND THE COMPANY				
Amounts payable under finance leases:				
Within one year	486,420	596,892	442,773	507,363
In the second to fifth year inclusive	283,744	770,165	276,200	718,973
	770,164	1,367,057	718,973	1,226,336
Less: Future finance charges	(51,191)	(140,721)	–	–
Present value of lease obligations	718,973	1,226,336	718,973	1,226,336
Less: Amount due within one year shown under current liabilities			(442,773)	(507,363)
Amount due after one year			276,200	718,973

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term ranges from four to five years. Interest rates are fixed at the contract date ranging from 2.5% to 3.6%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

33. SECURED BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Bank borrowings comprise:				
Mortgage loans	60,797,930	27,041,410	–	–
Bank loans	27,440,000	18,009,318	27,440,000	18,009,319
	88,237,930	45,050,728	27,440,000	18,009,319
The above borrowings are repayable as follows:				
Within one year	4,264,068	3,465,700	2,240,000	2,101,165
More than one year, but not exceeding two years	4,405,667	3,575,490	2,240,000	2,101,165
More than two years, but not exceeding five years	14,425,265	11,400,623	6,720,000	6,303,495
More than five years	65,142,930	26,608,915	16,240,000	7,503,494
	88,237,930	45,050,728	27,440,000	18,009,319
Less: Amount due within one year shown under current liabilities	(4,264,068)	(3,465,700)	(2,240,000)	(2,101,165)
Amount due after one year	83,973,862	41,585,028	25,200,000	15,908,154

Included in the above borrowings of the Group and the Company was an amount of US\$1,334,528 which were denominated in currencies other the functional currencies of the relevant group entities in the prior year.

The bank borrowings carry floating-rate interest based on the bank's prime rate and the effective rates ranged from 4.95% to 7% (2006: 2.30% to 5.75%) per annum.

34. SHARE CAPITAL

	Authorised 2007 & 2006 HK\$	Issued and fully paid 2007 & 2006 HK\$
Ordinary shares of HK\$1 each	750,000,000	488,842,675

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

35. RESERVES

	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY					
At 1st April, 2005	92,805,386	21,223,231	28,990,000	(200,539,674)	(57,521,057)
Loss for the year	–	–	–	(21,358,154)	(21,358,154)
At 31st March, 2006	92,805,386	21,223,231	28,990,000	(221,897,828)	(78,879,211)
Loss for the year	–	–	–	(10,554,955)	(10,554,955)
At 31st March, 2007	92,805,386	21,223,231	28,990,000	(232,452,783)	(89,434,166)

The Company did not have any reserves available for distribution to shareholders at the balance sheet date.

36. 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 HK\$	Revaluation on properties HK\$	Tax losses HK\$	Total HK\$
At 1st April, 2005	11,489,421	–	(3,969,998)	7,519,423
Charge to consolidated income statement	(1,884,203)	–	1,884,203	–
At 31st March, 2006	9,605,218	–	(2,085,795)	7,519,423
Charge to consolidated income statement	204,452	–	195,548	400,000
Charge to equity for the year	–	514,243	(514,243)	–
At 31st March, 2007	9,809,670	514,243	(2,404,490)	7,919,423

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

36. DEFERRED TAXATION - continued

At 31st March, 2007, the Group has unused tax losses of approximately HK\$115,947,000 (2006: HK\$110,076,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$13,740,000 (2006: HK\$11,919,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$102,207,000 (2006: HK\$98,157,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$25,879,000 (2006: HK\$30,044,000) which will expire in the following years:

	2007 HK\$	2006 HK\$
2008/2007	7,820,000	4,102,000
2009/2008	6,023,000	7,232,000
2010/2009	5,630,000	5,572,000
2011/2010	3,511,000	5,207,000
2012/2011	2,895,000	7,931,000
	25,879,000	30,044,000

At 31st March, 2007, the Company has unused tax losses of approximately HK\$23,155,000 (2006: HK\$28,333,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

37. PROVISION FOR LONG SERVICE PAYMENTS

The Group did not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme and makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations. The level of this provision will be reviewed on an annual basis and adjusted as appropriate.

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

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
At beginning of the year	2,055,013	2,164,534	1,176,900	1,176,900
Amount utilised	-	(109,521)	-	-
At end of the year	2,055,013	2,055,013	1,176,900	1,176,900

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

38. MAJOR NON-CASH TRANSACTIONS

In the prior year, the Group entered into a finance lease in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK\$1,317,000.

39. PLEDGE OF ASSETS

At the balance sheet date, the bank credit facilities of the Group and the Company amounted to approximately HK\$97,238,000 (2006: HK\$57,169,000) and HK\$36,440,000 (2006: HK\$30,009,000) respectively, of which approximately HK\$88,238,000 (2006: HK\$45,051,000) and HK\$27,440,000 (2006: HK\$18,009,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Property, plant and equipment	55,326,309	65,769,852	–	–
Investment properties	80,530,000	11,290,380	–	–
Bank deposits	2,324,734	2,238,753	2,197,794	2,116,051
	138,181,043	79,298,985	2,197,794	2,116,051

40. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Guarantee given to a bank in respect of banking facilities utilised by a subsidiary	–	–	56,135,179	19,950,747

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

41. COMMITMENTS

(a) Operating lease arrangements

The Group as lessee:

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

	THE GROUP	
	2007 HK\$	2006 HK\$
Within one year	3,643,866	4,138,585
In the second to fifth year inclusive	13,375,464	16,274,339
Over five years	41,798,325	54,925,894
	58,817,655	75,338,818

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

The Group as lessor:

Property rental income earned during the year was HK\$6,056,855 (2006: HK\$6,201,153). The properties are expected to generate an average rental yield of 10% per annum and have committed tenants for a term of two years.

At the balance sheet date, the Group had no material lease commitments outstanding at the balance sheet date.

(b) Capital commitments

	THE GROUP	
	2007 HK\$	2006 HK\$
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
acquisition of property, plant and equipment	274,954	1,725,502
acquisition of investment properties	–	40,800,000
	274,954	42,525,502

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

42. 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, 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.

43. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expense amounting to HK\$603,525 (2006: HK\$636,906) to an associate.

Details of amounts due from/to associates are disclosed in note 25.

In addition, a subsidiary entered into a lease agreement with its minority shareholder for the use of land located in the PRC at an annual rental of RMB4,200,000 for a term of twenty-eight years commencing from 1996. During the year, rentals of HK\$3,343,866 (2006: HK\$4,068,585) were paid to the minority shareholder.

44. SHARE OPTION SCHEME

In accordance with the Company’s share option scheme (the “Scheme”), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

44. SHARE OPTION SCHEME - continued

The following table discloses movements of the Company's share options held by the directors during the current and prior years:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares issued upon exercise of the share options					Exercisable period
			At 1.4.2005	Expired during the year	At 31.3.2006	Expired during the year	At 31.3.2007	
Mr. Deacon Te Ken Chiu	15.11.1995	1.42	5,000,000	(5,000,000)	-	-	-	15.11.1995 - 14.11.2005
Mr. Derek Chiu	16.10.1995	1.44	590,000	(590,000)	-	-	-	16.10.1995 - 15.10.2005
	9.9.1997	3.01	1,000,000	-	1,000,000	-	1,000,000	9.9.1997 - 8.9.2007
Madam Chiu Ju Ching Lan	11.4.1996	1.60	4,000,000	-	4,000,000	(4,000,000)	-	11.4.1996 - 10.4.2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	-	7,000,000	-	7,000,000	19.11.1997 - 18.11.2007
Mr. Tang Sung Ki	11.4.1996	1.60	150,000	-	150,000	(150,000)	-	11.4.1996 - 10.4.2006
	29.1.2000	1.00	6,000,000	-	6,000,000	-	6,000,000	29.1.2000 - 28.1.2010
			<u>23,740,000</u>	<u>(5,590,000)</u>	<u>18,150,000</u>	<u>(4,150,000)</u>	<u>14,000,000</u>	
Exercisable at end of the year							<u>14,000,000</u>	
Weighted average exercise price (HK\$)					<u>1.53</u>	<u>1.60</u>	<u>1.51</u>	

Particulars of the Scheme are set out as follows:

- The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK\$10 per option to subscribe for shares at a price calculated in accordance with paragraph mentioned below.
- The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

44. SHARE OPTION SCHEME - continued

- (d) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.
- (e) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (f) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.
- (g) The exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher.

No options were granted in both years.

As the Scheme no longer complies with the amendment rules in The Rules Governing the Listing of Securities on the Stock Exchange announced on 23rd August, 2001, no further share option can be granted under the Scheme from 1st September, 2001. Nevertheless, all share options granted prior to 1st September, 2001 will continue to be exercisable in accordance with the Scheme.

45. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for sale investments, held-for-trading investments, trade and other receivables, amounts due from associates/related companies, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to associates/related companies/a minority shareholder, bank borrowings, and obligations under finance leases. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

Currency risk

Certain trade receivables, payables, and bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

45. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets and financial liabilities are balances with banks and variable rate bank borrowings respectively. Management monitors the related cash flow interest rate exposures closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 March 2007 in relation to its trade receivables. In order to minimise the credit risk, the Company reviews the recoverable amount at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks and creditworthy financial institutions.

In addition, the Company's exposure to credit risk which will cause a financial loss to the Company due to financial guarantee issued by the Company is arising from the amount of contingent liabilities set out in note 40.

Price risk

The Group is exposed to equity security price risk through its available-for-sale investments and held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value

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

The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

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 using the relevant prevailing market rates.

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost approximate their fair values.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2007

46. POST BALANCE SHEET EVENT

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 shares 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 credit 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 capital reserve. The remaining balance of HK\$118,060,579.50 was credited to the share premium account of the Company.

List of Properties held by the Group

For the Year ended 31st March, 2007

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%	Commercial and residential	Medium
Flat E on 19th Floor of Block 2, Blossom Garden, No. 11 Leung Tak Street, Tuen Mun, New Territories	590	100.0%	Residential	Medium

List of Properties held by the Group

For the Year ended 31st March, 2007

Location	Approximate gross floor area/ site areas* (square feet)	Group's interest	Purpose	Term of lease
Investment properties - continued				
Flat A on 8th Floor, Mei Foo Sun Chuen, No. 1 Humbert Street, Kowloon	774	100.0%	Residential	Medium
Flat A on 17th Floor, Mei Foo Sun Chuen, No. 111 Broadway, Kowloon	774	100.0%	Residential	Medium
Flat B, G/F, Block 2, Bela Vista Villa, Cheung Chau	350	100.0%	Residential	Medium
Flat H, 5/F, Block 10, Site 11, 6 Tak Hong Street Whampoa Garden, Kowloon	551	100.0%	Residential	Medium
Flat B, 2/F, Block 1, Site 4, 7 Shung King Street, Whampoa Garden, Kowloon	743	100.0%	Residential	Medium
Unit B, Block 1, Floor 2, Mount Beacon, 20 Cornwall Street, Kowloon	1,935	100.0%	Residential	Medium
Unit B, Block 1, Floor 7, Mount Beacon, 20 Cornwall Street, Kowloon	1,935	100.0%	Residential	Medium

Financial Summary

For the Year ended 31st March, 2007

RESULTS

	For the year ended 31st March,				2007 HK\$'000
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	
Turnover	76,354	52,725	30,180	63,529	165,905
(Loss) profit before taxation	47,128	(11,246)	3,602	(70,511)	(49,030)
Taxation	(8,700)	(549)	(112)	–	(400)
(Loss) profit for the year	38,428	(11,795)	3,490	(70,511)	(49,430)
Attributable to:					
Equity holders of the Company	36,928	(11,795)	3,490	(70,511)	(49,430)
Minority interests	1,500	–	–	–	–
	38,428	(11,795)	3,490	(70,511)	(49,430)

ASSETS AND LIABILITIES

	At 31st March,				2007 HK\$'000
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	
Total assets	665,201	602,128	539,901	504,102	500,284
Total liabilities	(172,464)	(123,690)	(74,087)	(69,365)	(115,732)
Equity attributable to equity holders of the Company	492,737	478,438	465,814	434,737	384,552
Minority interests	–	–	–	–	–
Total equity	492,737	478,438	465,814	434,737	384,552

The above financial summary prior to 2005 has not been adjusted to take into account the effect on adoption of Hong Kong Financial Reporting Standards issued by the HKICPA as the directors consider that it is not practicable to do so.