



Far East Hotels and Entertainment Limited

Stock Code : 37



INTERIM REPORT

— 2007 —

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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.

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

Tricor Standard Limited

26/F., Tesbury Centre,

28 Queen's Road East, Hong Kong

Stock Exchange

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

Stock Code

037

Website

www.tricor.com.hk/web/service/00037

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

Overall Results

For the six months ended 30 September 2007, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net profit attributable to shareholders of HK\$12,718,989 (30/09/2006: net loss of HK\$37,724,453).

Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2007 (2006: Nil).

Review of Operations and Prospects

The turnover of Cheung Chau Warwick Hotel has increased by 25% compared with last corresponding period. During the period under review, a series of renovation and upgrading work of Cheung Chau Warwick Hotel has been completed. This includes the completion of 8 full seaview guest rooms, 1 suite, plus the adding of the Warwick Spa Room and the Multi-Function Room. For the first time, singing events with local singers and live band were introduced at the Poolside buffet dinner during August and September of 2007.

With the strengthening of the sales team and the widening of the sales network, the turnover of Beijing Warwick International Apartments has increased by 22% compared with last corresponding period and the operating loss continues to narrow. As the 2008 Beijing Olympic Games event is approaching and the surrounding environment and facilities continue to improve, the management believes that the turnover of Beijing Warwick International Apartments will further increase.

In securities investment and trading, the Group has recorded a profit of approximately HK\$22.7 million.

In the long run, the Company will seek more business opportunities to maximize its return.

Capital Reduction

On 1 June 2007, a special resolution was passed in an extraordinary general meeting to approve capital reduction of the Company which becomes effective on 20 July 2007. 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.

Employees

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

Finance Activities

At 30/09/2007, the Group had bank credit facilities amounting to approximately HK\$99,721,000 (31/03/2007: HK\$97,238,000), of which approximately HK\$90,721,000 (31/03/2007: HK\$88,238,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 30/09/2007, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2007 amounted to approximately HK\$396 million (31/03/2007: approximately HK\$385 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 30/09/2007 is 23% (31/03/2007: 23%).

OTHER INFORMATION

Directors' Interests in Shares and Underlying Shares

At 30 September 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 Issuers, were as follows:

(a) *Ordinary shares of HK\$0.10 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 <i>(Note 1)</i>	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	78,430,299 <i>(Note 2)</i>	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 <i>(Note 3)</i>	34,449,833	7.05%
Mr. David Chiu	3,144,627	–	3,144,627	0.64%
Ms. Margaret Chiu	676,240	5,000,000 <i>(Note 4)</i>	5,676,240	1.16%

Notes:

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

(b) *Share options of the Company*

Pursuant to a share option scheme which was adopted by an ordinary resolution passed on 22 September 1995, particulars of share options granted and outstanding as at 30 September 2007 were as follows:

Name of Director	Capacity	Number of share options held	Number of underlying shares
Ms. Margaret Chiu	Beneficial owner	7,000,000	7,000,000
Mr. Tang Sung Ki	Beneficial owner	6,000,000	6,000,000
		<hr/>	<hr/>
		13,000,000	13,000,000

Except 1,000,000 share options held by Mr. Derek Chiu that were expired on 8 September 2007, no share options were granted, expired or exercised during the period concerned.

At an extraordinary general meeting of the Company held on 1 June 2007, an ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by the shareholders. No share options were granted under this new share option scheme during the period concerned.

Save as disclosed above, as at 30 September 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 Listed Issuers.

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 30 September 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 5% or more of

the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

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

Notes:

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

Save as disclosed above, as at 30 September 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.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

The Company has complied with Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 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 78 and 79 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.

Audit Committee

The Audit Committee of the Company 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 audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2007.

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 comprises two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director of the Company, Mr. Derek Chiu. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

Derek Chiu

Managing Director & Chief Executive

Hong Kong, 14 December 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		Six months ended 30 September	
		2007	2006
		(unaudited)	(unaudited)
Notes		HK\$	HK\$
	Turnover	66,440,650	78,816,826
	Revenue from hotel operation	8,258,442	6,574,945
	Property rental income	3,855,265	3,154,352
	License fee income	–	637,255
	Cost of sales	(12,864,973)	(13,161,007)
		(751,266)	(2,794,455)
	Dividend income from listed securities	33,241	–
	Increase (Decrease) in fair value of held-for-trading investment	22,674,665	(4,686,050)
	Gain on disposal of investment property	50,010	–
	Other income	901,224	818,263
	Administrative expenses	(8,132,900)	(5,598,430)
	Finance costs	(2,324,783)	(1,482,242)
	Share of results of associates	268,798	(23,981,539)
	Profit (Loss) before taxation	12,718,989	(37,724,453)
	Taxation	–	–
	Profit (Loss) for the period	12,718,989	(37,724,453)
		Cents	Cents
	Earnings (Loss) per share	2.60	(7.72)

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

	Notes	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
Non-current Assets			
Property, plant and equipment		108,711,111	110,092,520
Investment properties		124,024,535	125,024,535
Prepaid lease payments		1,043,438	1,057,446
Interests in associates	8	5,354,026	11,785,228
Available-for-sale investments		182,697,045	186,004,545
		421,830,155	433,964,274
Current Assets			
Prepaid lease payments		28,050	28,050
Held-for-trading investments		28,995,975	20,480,520
Inventories		426,830	415,956
Trade and other receivables	9	2,418,612	2,064,018
Amounts due from associates		203,562	203,562
Amounts due from related companies		572,489	572,488
Pledged bank deposits		2,372,807	2,324,734
Bank balances and cash		51,394,820	40,230,730
		86,413,145	66,320,058
Current Liabilities			
Trade and other payables	10	7,060,218	7,175,104
Deposits received		307,549	463,346
Amounts due to associates		1,182,085	6,777,085
Amounts due to related companies		182,856	171,822
Amount due to a minority shareholder		2,060,400	2,213,400
Obligations under finance leases			
– due within 1 year		122,390	442,773
Secured bank borrowings			
– due within 1 year		5,311,671	4,264,068
		16,227,169	21,507,598
Net Current Assets			
		70,185,976	44,812,460
		492,016,131	478,776,734

	<i>Notes</i>	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
Capital and Reserves			
Share capital	11	48,884,268	488,842,675
Reserves		347,567,493	(104,290,439)
		396,451,761	384,552,236
Non-current Liabilities			
Deferred taxation		7,919,423	7,919,423
Provision for long service payments		2,055,013	2,055,013
Obligations under finance leases – due after 1 year		180,526	276,200
Secured bank borrowings – due after 1 year		85,409,408	83,973,862
		95,564,370	94,224,498
		492,016,131	478,776,734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Share capital	Share premium	Capital reserve	Special capital reserve	Capital redemption reserve	Investment revaluation reserve	Property revaluation reserve	Exchange reserve	Retained profits (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2007 (Audited)	488,842,675	92,805,386	21,223,231	-	28,990,000	-	2,938,532	(4,239,396)	(246,008,192)	384,552,236
Capital reduction	(439,958,407)	118,060,580	-	89,445,044	-	-	-	-	232,452,783	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(956,594)	-	(956,594)
Change in fair value of available-for-sale investments	-	-	-	-	-	137,130	-	-	-	137,130
Profit for the period	-	-	-	-	-	-	-	-	12,718,989	12,718,989
At 30 September 2007 (Unaudited)	48,884,268	210,865,966	21,223,231	89,445,044	28,990,000	137,130	2,938,532	(5,195,990)	(836,420)	396,451,761
At 1 April 2006 (Audited)	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	-	-	-	-	-	-	-	(224,427)	-	(224,427)
Change in fair value of available-for-sale investments	-	-	-	-	-	(651,750)	-	-	-	(651,750)
Loss for the period	-	-	-	-	-	-	-	-	(37,724,453)	(37,724,453)
At 30 September 2006 (Unaudited)	488,842,675	92,805,386	21,223,231	-	28,990,000	-	-	(1,422,390)	(234,302,465)	396,136,437

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September	
	2007 (unaudited) HK\$	2006 (unaudited) HK\$
Net cash from (used in) operating activities	2,410,497	(21,953,168)
Net cash from (used in) investing activities	9,164,282	(43,330,704)
Net cash (used in) from financing activities	(410,689)	32,699,219
Net increase (decrease) in cash and cash equivalents	11,164,090	(32,584,653)
Cash and cash equivalents at beginning of the period	40,230,730	38,852,673
Cash and cash equivalents at end of the period	51,394,820	6,268,020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis Of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2007 annual financial statements.

2. Application Of New And Revised Hong Kong Financial Reporting Standards

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2007 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”), issued by the HKICPA that is effective for accounting periods beginning on or after 1st January, 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and 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 standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for accounting periods beginning on or after 1 January 2009.

² Effective for accounting periods beginning on or after 1 January 2008.

³ Effective for accounting periods beginning on or after 1 July 2008.

Certain comparative figures for prior accounting period have been restated to conform with the current period's presentation.

3. Business And Geographical Segments

Business segments

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
2007	Six months ended 30 September (unaudited)				
REVENUE					
Turnover	8,258,442	3,855,265	54,326,943	-	66,440,650
RESULTS					
Segment results	611,302	(1,362,568)	22,707,906	219,745	22,176,385
Bank interest income					681,479
Gain on disposal of investment property					50,010
Unallocated corporate expenses					(8,132,900)
Finance costs					(2,324,783)
Share of results of associates					268,798
Profit before taxation					12,718,989
Taxation					-
Profit for the period					12,718,989

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
2006	Six months ended 30 September (unaudited)				

REVENUE

Turnover	6,574,945	3,154,352	68,450,274	637,255	78,816,826
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RESULTS

Segment results	(431,972)	(2,057,037)	(4,686,051)	26,571	(7,148,489)
Bank interest income					486,247
Unallocated corporate expenses					(5,598,430)
Finance costs					(1,482,242)
Share of results of associates					(23,981,539)
Loss before taxation					(37,724,453)
Taxation					-
Loss for the period					(37,724,453)

Geographical segments

Sales revenue by geographical market

	2007 (unaudited) HK\$	2006 (unaudited) HK\$
Hong Kong	62,585,385	75,662,474
Other regions in the People's Republic of China	3,855,265	3,154,352
	66,440,650	78,816,826

4. Depreciation And Amortisation

During the period, depreciation of HK\$3,977,655 (2006: HK\$3,807,388) was charged in respect of the Group's property, plant and equipment.

During the period, amortisation of HK\$14,008 (2006: HK\$14,008) was charged in respect of the Group's prepaid lease payments.

During the period, no amortisation (2006: HK\$942,700) was charged in respect of the Group's intangible assets.

5. Finance Costs

	Six months ended	
	30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on bank and other borrowings:		
Wholly repayable within 5 years	4,659	3,800
Not wholly repayable within 5 years	2,276,650	1,426,977
Interest on finance leases	43,474	51,465
	2,324,783	1,482,242

6. Taxation

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

7. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the period of HK\$12,718,989 (2006: loss of HK\$37,724,453) and 488,842,675 (2006: 488,842,675) ordinary shares in issue during the period.

(b) Diluted earnings (loss) per share

No diluted earnings per share has been presented for this period because the exercise price of the Company's option was higher than the average market price per share.

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

8. Interests In Associates

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

Results

	Six months ended	
	30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK\$	HK\$
Revenue	2,033,520	2,099,389
Profit (loss) for the period	537,596	(76,590,319)
Group's share of results of associates for the period	268,798	(23,981,539)

Financial position

	30/09/2007	31/03/2007
	(unaudited)	(audited)
	HK\$	HK\$
Total assets	15,110,105	27,886,708
Total liabilities	(69,642,400)	(69,556,599)
Net liabilities	(54,532,295)	(41,669,891)
Group's share of net assets of associates	5,354,026	11,785,228

9. 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 reporting date:

	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
0 – 30 days	398,586	200,500
31 – 60 days	168,615	23,081
Over 60 days	82,389	114,422
Trade receivables	649,590	338,003
Other receivables	1,769,022	1,726,015
	2,418,612	2,064,018

10. Trade And Other Payables

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

	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
0 – 30 days	492,587	800,790
31 – 60 days	436,776	229,556
Over 60 days	1,608,551	1,652,950
Trade payables	2,537,914	2,683,296
Other payables	4,522,304	4,491,808
	7,060,218	7,175,104

11. Share Capital

	Number of shares		Share capital	
	2007	2006	2007 HK\$	2006 HK\$
Authorised:				
At 1 April	750,000,000	750,000,000	750,000,000	750,000,000
Capital reduction	-	-	(675,000,000)	-
At 30 September	750,000,000	750,000,000	75,000,000	750,000,000
Issued and fully paid:				
At 1 April	488,842,675	488,842,675	488,842,675	488,842,675
Capital reduction	-	-	(439,958,407)	-
At 30 September	488,842,675	488,842,675	48,884,268	488,842,675

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 1 June 2007, and the subsequent Order of the High Court of the Hong Kong Special Administrative Region (the "High Court") granted on 20 July 2007, the Company effected a capital reduction which took effect on 20 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 31 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.

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

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

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

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

The undertaking is subject to the following provisos:

1. the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after 20 July 2007; and

2. an amount of up to HK\$100,000,000 of the special capital reserve may be applied by the Company for the purpose of eliminating any loss sustained after 31 March 2006, provided that such loss is referable to an audited balance sheet of the Company as published from time to time, and provided further that if subsequent to the elimination, any of the Company's investments against which provision for impairment loss or diminution in value has been made shall be revalued in the accounting records of the Company in excess of the provision, or such investment shall be realised for a sum in excess of the amount of such provision, then a sum equal to the amount of the revaluation or the sum realised in excess of the amount of the provision, up to an aggregate amount of HK\$100,000,000, shall be re-credited to the special capital reserve.

12. Commitments

(a) Operating lease arrangements

The Group as lessee:

At 30/9/2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
Within one year	3,674,020	3,643,866
In the second to fifth year inclusive	12,856,078	13,375,464
Over five years	38,116,422	41,798,325
	54,646,520	58,817,655

The Group as lessor:

Property rental income earned during the period was HK\$3,855,265 (2006: HK\$3,154,352).

At 30/9/2007, the Group had not contracted with tenants for future minimum lease payments under non-cancellable operating leases.

(b) *Capital commitments*

	30/09/2007 (unaudited) HK\$	31/03/2007 (audited) HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	—	274,954