

2008

Annual Report



Far East Hotels and Entertainment Limited

Stock Code : 37

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

Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

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

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

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

Margaret Chiu, LL.B.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Tan Sri Dato' David Chiu, B.Sc.

Dennis Chiu, B.A.

Duncan Chiu, B.Sc.

Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Alternate 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

AUDITOR

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

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

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

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

Aged 83. 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 42. 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 41. 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 51. 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 69. 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 57. Joined the Far East Group in 1974. Appointed as Director in 1979. 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 54. 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' David Chiu founded Malaysia Land Holdings Berhad (Mayland Group) in Malaysia. Over the years, Mayland Group has extensive development and become one of the largest real estate developers in Malaysia. He is also the Chairman and substantial shareholder of Tokai Kanko Ltd., which is listed on the Tokyo Stock Exchange. In regard to his devotion to the community services, he is a trustee member of The Better Hong Kong Foundation and Chairman of Mid-Autumn Festival Celebration – People & Forces. In Malaysia, he was first conferred an honorary award which carried the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri" by His Majesty of Malaysia. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Profile of Directors

Mr. Dennis Chiu, B.A.

Aged 49. 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 33. 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, Vice Chairman of Henan Provincial Youth Federation and Member of The Chinese People's Political Consultative Conference, Shanghai Committee. 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 53. Mr. Ip was appointed as an Independent Non-executive Director of the Company on 31 March 1997. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Arts in Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He has been a practising solicitor in Hong Kong for more than 20 years. Mr. Ip is an independent non-executive director of Quam Limited and a member of the independent committees of Wah Sang Gas Holdings Limited.

Mr. Ng Wing Hang Patrick

Aged 55. 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 Managing Director of Messrs. NCN CPA Limited, 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 Dynamic Energy Holdings Limited.

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

Aged 59. 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 Vice-chairman of Occupational Safety And Health Council, member of Energy Advisory Committee, member of Consumer Council, a member of CPPCC Guangzhou Committee, a director of Chinese General Chamber Of Commerce.

Profile of Directors

Alternate Directors

Mr. Chan Chi Hing

Aged 45. 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. In June, 2007, he was appointed as an independent non-executive director of Hidili Industry International Development Limited, a Hong Kong listed company.

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

Mr. Tang Sung Ki, CPA, FCCA

Aged 48. 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 a member of the 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 profit of the Group attributable to shareholders for the year ended 31 March 2008 amounted to HK\$3,783,360 (2007: loss of HK\$49,430,180).

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

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 21% compared with last year. The renovation of our Spa Room and Multi-Function Room has been completed by September 2007. These new elements have enhanced our image as a resort hotel and in return have attracted more business. The sales and marketing department will also focus on developing the Conference group as well. The Food & Beverage division will remain emphasis on local market on one hand, and try to develop outside market through promotions.

The turnover of Beijing Warwick International Apartments has increased by 64% compared with last year. Renovation works on the Level 1, Level 2 and the external wall of the East Wing of the Apartments are now in progress and will be completed before the opening of the Beijing 2008 Olympic Games event. With the approaching of the Olympic Games event in August 2008 and the continued improvement of surrounding environment and facilities, the management believes that the turnover of Beijing Warwick International Apartments will further improve.

On 1 June 2007, a special resolution was passed at 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.

Managing Director & Chief Executive's Statement

FINANCE ACTIVITIES

At 31 March 2008, the Group had bank credit facilities amounting to approximately HK\$92,172,000 (2007: HK\$97,238,000), of which approximately HK\$83,172,000 (2007: HK\$88,238,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 31 March 2008, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2008 amounted to approximately HK\$386 million (2007: approximately HK\$385 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2008 is 22% (2007: 23%).

SUBSEQUENT EVENTS

On 29 May 2008, the Group has acquired two pre-sale units in phase 1 of the property development "Celestial Heights" at 80 Sheung Shing Street, Homantin, Kowloon at a total consideration of HK\$32,229,000. According to the pre-sale brochure, the anticipated completion date of the construction of the building in this development is 31 July 2009. The Directors believe that the acquisitions will improve the Group's operating performance and widen its asset base. Details of the acquisition are set out in the Company's circular dated 18 June 2008.

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

Derek Chiu

Managing Director & Chief Executive

Hong Kong, 4 July 2008

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, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 16 and 17, 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 22.

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 26 to 27 and note 34 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 12 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group are set out in note 13 to the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group at 31st March, 2008 are set out on page 85 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' Report

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

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, Mr. David Chiu, Ms. Margaret Chiu, Mr. Desmond Chiu and Mr. Ip Shing Hing 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, 2008, 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\$0.10 each of the Company

Name of director	Personal interests	Family 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.

(b) Share options of the Company

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

Directors' Report

Save as disclosed, as at 31st March, 2008, 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 43 to the consolidated financial statements.

A summary of the movements in share options pursuant to the expired share option scheme adopted on 22nd September, 1995 during the year is as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options			Outstanding at 31.3.2008	Exercisable period
			Outstanding at 1.4.2007	Expired during the year	Cancelled during the year		
Mr. Derek Chiu	9.9.1997	3.01	1,000,000	1,000,000	-	-	9.9.1997-8.9.2007
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	7,000,000	-	-	19.11.1997-18.11.2007
Mr. Tang Sung Ki	29.1.2000	1.00	6,000,000	-	6,000,000	-	29.1.2000-28.1.2010
			<u>14,000,000</u>	<u>8,000,000</u>	<u>6,000,000</u>	<u>-</u>	

No share options were granted during the year under the new share options scheme adopted on 1st June, 2007.

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' Report

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, 2008, 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.

Save as disclosed above, as at 31st March, 2008 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.

Directors' Report

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 20 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.

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, 2008.

POST BALANCE SHEET EVENTS

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

AUDITOR

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

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 4 July, 2008

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 2008.

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 have a broad range of financial, regulatory and commercial experience and skills, which contribute to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

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

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

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

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

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

Corporate Governance Report

The Board met on four occasions during the year ended 31 March 2008. 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>)	2/4	50%
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	2/4	50%
Choy Wai Shek Raymond	2/4	50%
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 2008, 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.

INTERNAL CONTROL

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

COMMUNICATION WITH SHAREHOLDERS

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2008, the Auditor of the Company received approximately HK\$800,000 for audit service (2007: approximately HK\$700,000).

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 Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 March 2008.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of 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 auditor 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 auditor in matters within the scope of the group audit.

The Group's interim report for the six months ended 30 September 2007 and the annual report for the year ended 31 March 2008 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31 March 2008, two meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

	Number of meetings attended	Attendance rate
Ip Shing Hing	2/2	100%
Ng Wing Hang Patrick	2/2	100%
Choy Wai Shek Raymond	2/2	100%
Duncan Chiu	0/2	0%

Corporate Governance Report

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive, 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 2008, one meeting was held by the the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

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

Independent Auditor's Report



TO THE MEMBERS OF FAR EAST HOTELS AND ENTERTAINMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 84, which comprise the consolidated and Company balance sheets as at 31st March, 2008, 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, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

4th July, 2008

Consolidated Income Statement

For the Year ended 31st March, 2008

	NOTES	2008 HK\$	2007 HK\$
Revenue from hotel operation		16,558,252	13,662,525
Property rental income		10,488,655	6,056,855
License fee income		–	637,255
Cost of sales		(28,235,399)	(29,335,921)
Gross loss		(1,188,492)	(8,979,286)
Dividend income from listed securities		146,641	281,807
Increase in fair value of held-for-trading investments		3,175,850	21,069,893
Other income		3,684,586	2,962,688
Gain (loss) on disposal of available-for-sale investments		3,428,900	(82,950)
Gain on disposal of investment properties		969,015	–
Increase in fair value of investment properties	13	27,249,807	3,915,586
Increase in fair value of financial liabilities at fair value through profit or loss		(497,635)	–
Administrative expenses		(25,693,950)	(18,517,444)
Finance costs	6	(4,219,585)	(3,747,005)
Share of results of associates		550,552	(45,933,469)
Profit (loss) before taxation	7	7,605,689	(49,030,180)
Taxation	10	(3,822,329)	(400,000)
Profit (loss) for the year		3,783,360	(49,430,180)
Earnings (loss) per share	11	0.77 cents	(10.11) cents

Consolidated Balance Sheet

At 31st March, 2008

	NOTES	2008 HK\$	2007 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	12	106,371,482	110,092,520
Investment properties	13	143,014,342	125,024,535
Prepaid lease payments	14	1,029,464	1,057,446
Interests in associates	17	4,535,780	11,785,228
Available-for-sale investments	18	180,411,545	186,004,545
Other non-current assets	19	3,373,523	–
		438,736,136	433,964,274
CURRENT ASSETS			
Prepaid lease payments	14	28,016	28,050
Held-for-trading investments	20	22,517,895	20,480,520
Inventories	21	437,303	415,956
Trade and other receivables	22	3,468,789	431,683
Deposits and prepayment		7,214,889	1,632,335
Amount due from an associate	24	203,562	203,562
Amounts due from related companies	25	472,489	572,488
Pledged bank deposits	26	2,410,948	2,324,734
Bank balances and cash	26	19,457,028	40,230,730
		56,210,919	66,320,058
CURRENT LIABILITIES			
Trade and other payables	27	6,310,615	7,175,104
Deposits received		1,499,709	463,346
Amounts due to associates	24	1,697,717	6,777,085
Amounts due to related companies	29	212,406	171,822
Amount due to a minority shareholder	30	1,718,594	2,213,400
Obligations under finance leases-due within one year	31	–	442,773
Secured bank borrowings-due within one year	32	5,195,638	4,264,068
Financial liabilities at fair value through profit or loss		497,635	–
		17,132,314	21,507,598
NET CURRENT ASSETS			
		39,078,605	44,812,460
		477,814,741	478,776,734

Consolidated Balance Sheet

At 31st March, 2008

	NOTES	2008 HK\$	2007 HK\$
CAPITAL AND RESERVES			
Share capital	33	48,884,268	488,842,675
Reserves		337,157,233	(104,290,439)
		386,041,501	384,552,236
NON-CURRENT LIABILITIES			
Deferred taxation	35	11,741,752	7,919,423
Provision for long service payments	36	2,055,013	2,055,013
Obligations under finance leases-due after one year	31	–	276,200
Secured bank borrowings-due after one year	32	77,976,475	83,973,862
		91,773,240	94,224,498
		477,814,741	478,776,734

The financial statements on pages 22 to 84 were approved and authorised for issue by the Board of Directors on 4th July, 2008 and are signed on its behalf by:

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Company Balance Sheet

At 31st March, 2008

	NOTES	2008 HK\$	2007 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,702,032	1,760,585
Investments in subsidiaries	16	77,789,728	77,789,728
Interests in associates	17	3	3
Available-for-sale investments	18	157,026,351	157,026,351
Other non-current assets	19	3,373,523	–
		239,891,637	236,576,667
CURRENT ASSETS			
Held-for-trading investments	20	590,000	658,000
Other receivables		3,198,123	93,680
Deposits and prepayment		477,168	370,058
Amounts due from subsidiaries	23	169,529,290	166,926,816
Amount due from an associate	24	203,563	203,563
Amount due from a related company	25	420,716	420,716
Pledged bank deposits	26	2,279,834	2,197,794
Bank balances and cash	26	17,431,598	36,186,034
		194,130,292	207,056,661
CURRENT LIABILITIES			
Other payables		1,005,516	1,342,307
Amounts due to subsidiaries	28	8,107,444	13,132,171
Amounts due to associates	24	37,336	10,704
Amounts due to related companies	29	544,348	403,764
Obligations under finance leases-due within one year	31	–	442,773
Secured bank borrowings-due within one year	32	3,240,000	2,240,000
		12,934,644	17,571,719
NET CURRENT ASSETS			
		181,195,648	189,484,942
		421,087,285	426,061,609
CAPITAL AND RESERVES			
Share capital	33	48,884,268	488,842,675
Reserves	34	344,566,117	(89,434,166)
		393,450,385	399,408,509
NON-CURRENT LIABILITIES			
Provision for long service payments	36	1,176,900	1,176,900
Obligations under finance leases-due after one year	31	–	276,200
Secured bank borrowings-due after one year	32	26,460,000	25,200,000
		27,636,900	26,653,100
		421,087,285	426,061,609

DEREK CHIU
DIRECTOR

DUNCAN CHIU
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2008

	Share capital HK\$	Share premium HK\$	Capital reserve HK\$ (Note 1)	Capital redemption reserve HK\$ (Note 2)	Investment revaluation reserve HK\$	Property revaluation reserve HK\$	Exchange reserve HK\$	Special reserve HK\$ (Note 3)	Accumulated losses HK\$	Total HK\$
At 1st April, 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 12b)	-	-	-	-	-	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
Capital reduction	(439,958,407)	118,060,579	-	-	-	-	-	100,000,000	221,897,828	-
Transfer prior year loss to special reserve	-	-	-	-	-	-	-	(10,554,955)	10,554,955	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(2,017,832)	-	-	(2,017,832)
Share of movements in post - acquisition reserves of an associate	-	-	-	-	-	-	2,936,737	-	-	2,936,737
Change in fair value of available-for - sale investments	-	-	-	-	215,900	-	-	-	-	215,900
Transfer to income statement on sales of available-for-sale investments	-	-	-	-	(215,900)	-	-	-	(3,213,000)	(3,428,900)
Net income recognised directly in equity	(439,958,407)	118,060,579	-	-	-	-	918,905	89,445,045	229,239,783	(2,294,095)
Profit for the year	-	-	-	-	-	-	-	-	3,783,360	3,783,360
Total recognised income and expense for the year	(439,958,407)	118,060,579	-	-	-	-	918,905	89,445,045	233,023,143	1,489,265
At 31st March, 2008	48,884,268	210,865,965	21,223,231	28,990,000	-	2,938,532	(3,320,491)	89,445,045	(12,985,049)	386,041,501

Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2008

Notes

1. 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.
2. The capital redemption reserve represents the repurchase of shares of HK\$1.00 each of the Company on The Stock Exchange of Hong Kong Limited during the financial year of 1994/1995, 1995/1996 and 1997/1998. The nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to retained earnings.
3. The special reserve arose as a result of the capital reduction of HK\$439,958,407 took effect in 2007/2008. An amount of HK\$221,897,828 of the total amount was applied towards writing off the unconsolidated accumulated losses of the Company as at 31st March, 2006, and HK\$100,000,000 was transferred to a special reserve. The remaining balance of HK\$118,060,579 was credited to the share premium account of the Company. The Company is permitted to utilise the special reserve sum of HK\$100,000,000 for writing off any further audited losses which may be incurred by the Company after 31st March, 2006. The loss for the year ended 31st March, 2007 amounted to HK\$10,554,955 was written off against the special reserve of HK\$100,000,000. In the case of any future non-permanent losses which may, from time to time, have been written off against such HK\$100,000,000 reserve, any recovery from the Company's investments in respect of which such losses were recorded (up to HK\$100,000,000 or the amount of such written-off losses, whichever is less) will, likewise, be re-credited to the same special capital reserve for the protection of the creditors existing at the date when the proposed reduction becomes effective.

Consolidated Cash Flow Statement

For the Year ended 31st March, 2008

	2008 HK\$	2007 HK\$
OPERATING ACTIVITIES		
Profit (loss) before taxation	7,605,689	(49,030,180)
Adjustments for:		
Dividend income from listed securities	(146,641)	(281,807)
Interest income	(1,469,011)	(1,562,702)
Allowance for doubtful debts	251,845	3,481,040
Amortisation of intangible asset	–	1,885,400
Impairment loss on intangible asset	–	2,770,800
Release of prepaid lease payments	28,016	139,833
Depreciation	9,763,070	8,990,868
Finance costs	4,219,585	3,747,005
Loss on disposal of property, plant and equipment	162,473	340,417
Gain on disposal of investment properties	(969,015)	–
(Gain) loss on disposal of available-for-sale investments	(3,428,900)	82,950
Increase in fair value of financial liabilities at fair value through profit or loss	497,635	–
Increase in fair value of investment properties	(27,249,807)	(3,915,586)
Share of results of associates	(550,552)	45,933,469
Exchange gain	(1,446,073)	(2,387,075)
Operating cash flows before movements in working capital	(12,731,686)	10,194,432
Decrease in available-for-sale investments	5,808,900	–
Increase in held-for-trading investments	(2,037,375)	(10,888,910)
(Increase) decrease in inventories	(21,347)	2,208
(Increase) decrease in trade and other receivables	(3,288,951)	2,776,363
Increase in deposits and prepayment	(5,582,554)	–
Increase in amount due from an associate	–	(3,172)
Decrease in amounts due from related companies	99,999	100,000
(Decrease) increase in trade and other payables	(864,489)	273,932
Increase in deposits received	1,036,363	110,346
(Decrease) increase in amounts due to associates	(5,079,368)	2,125,956
Increase in amounts due to related companies	40,584	36,422
CASH (USED IN) GENERATED FROM OPERATIONS AND NET CASH USED IN OPERATING ACTIVITIES	(22,619,924)	4,727,577

Consolidated Cash Flow Statement

For the Year ended 31st March, 2008

	2008 HK\$	2007 HK\$
INVESTING ACTIVITIES		
Dividend received from an associate	7,800,000	1,800,000
Dividends received from investments	146,641	281,807
Interest received	1,469,011	1,562,702
Proceeds on disposal of investment properties	10,229,015	–
Proceeds on disposal of property, plant and equipment	93,978	–
Proceeds on disposal of available-for-sale investment	–	2,204,300
Increase in pledged bank deposits	(86,214)	(85,981)
Acquisition of property, plant and equipment	(3,592,269)	(6,033,193)
Acquisition of investment properties	–	(42,752,949)
Acquisition of non-current assets	(3,373,523)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	12,686,639	(43,023,314)
FINANCING ACTIVITIES		
Interest paid on bank and other borrowings	(4,155,247)	(3,657,477)
Interest paid on finance leases	(64,338)	(89,528)
Repayment of obligations under finance leases	(1,060,209)	(507,363)
New bank and other borrowings raised	5,000,000	63,420,000
Repayment of bank and other borrowings	(10,065,817)	(20,232,798)
(Repayment of) advance from a minority shareholder	(494,806)	740,960
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(10,840,417)	39,673,794
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,773,702)	1,378,057
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	40,230,730	38,852,673
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	19,457,028	40,230,730

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

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 16 and 17 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 and the Company have applied, for the first time, the following new standards, amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and interpretations (“HK(IFRIC)-Int”) (new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s and the Company’s financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has resulted in the following areas:

- The impact of application of HKFRS 7 “Financial Instruments: Disclosures” has been to expand the disclosures provided in the consolidated financial statements regarding the Group’s financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) “Capital Disclosures” has been to disclose information regarding its objectives, policies and processes for managing capital.

The application of the remaining new HKFRSs has had no material effect on how the results and financial position of the Group and the Company for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

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

The Group and the Company have not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

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

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

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st July, 2008

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 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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

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.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 attributable to building and prepaid lease payments for land 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.

Paintings

Paintings are stated at cost less any identified impairment loss.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. When an owner-occupied property became an investment property, the property is measured at its fair value at the date of transfer. 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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties - continued

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.

Investments in subsidiaries

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture.

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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates - continued

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

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

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.

Impairment of tangible assets

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 in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the profit or loss 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, 2008

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss ("FVTPL")

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

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investment 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.

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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

On adoption of HKAS 39, certain investment securities previously carried at cost are classified as available-for-sale investments and measured at fair value. Corresponding adjustments were made to the Group's accumulated loss. Upon disposal of such investments, the amount previously recorded in the accumulated losses is transferred to profit or loss.

Loans and receivables

Loans and receivables (including trade and other receivables, amounts due from subsidiaries, amount due from an associate, amounts due from related companies, pledged bank deposits, bank balances and cash) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

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

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

Objective evidence of impairment could include:

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at fair value through profit or loss - continued

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Other financial liabilities

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Rentals payable under operating lease 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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 Group (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.

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.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

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 and the company 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, 2008

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

No deferred tax asset has been recognised in respect of tax losses of HK\$119,273,000 and HK\$102,207,000 as at 31st March, 2008 and 2007, 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.

5. 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 apartments
Securities investment and trading	–	investment and trading in securities
Investment holding	–	investment in a sauna business licence of which licence expired in 2007

Segment information about these businesses is presented below.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2008

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
REVENUE	16,558,252	10,488,655	-	-	27,046,907
RESULTS					
Segment (loss) profit	(102,115)	24,341,972	615,449	-	24,855,306
Bank interest income					1,155,860
Unallocated corporate expenses					(14,736,444)
Finance costs					(4,219,585)
Share of results of associates					550,552
Profit before taxation					7,605,689
Taxation					(3,822,329)
Profit for the year					3,783,360
ASSETS					
Segment assets	35,339,689	198,332,729	208,477,883	-	442,150,301
Interests in associates					4,535,780
Unallocated assets					48,260,974
Consolidated total assets					494,947,055
LIABILITIES					
Segment liabilities	2,387,533	6,657,858	756,311	-	9,801,702
Deferred tax liabilities					11,741,752
Borrowings					83,172,113
Unallocated liabilities					4,189,987
Consolidated total liabilities					108,905,554

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Unallocated HK\$	Consolidated HK\$
OTHER INFORMATION						
Capital additions	1,257,624	2,262,801	399,880	-	13,200	3,933,505
Depreciation	3,080,927	5,155,746	-	-	1,526,397	9,763,070
Release of prepaid lease payments	28,016	-	-	-	-	28,016
Allowance for doubtful debts	-	251,845	-	-	-	251,845
Gain on disposal of investment properties	-	(969,015)	-	-	-	(969,015)
Loss on disposal of property, plant and equipment	-	28,820	-	-	133,652	162,472

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2007

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$ (Note 1)	Investment holding HK\$	Consolidated HK\$
REVENUE	13,662,525	6,056,855	–	637,255	20,356,635
RESULTS					
Segment (loss) profit	(696,204)	(1,931,524)	21,268,751	(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, 2008

5. 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	<u>340,417</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:

	2008 HK\$	2007 HK\$ (Note 1)
Hong Kong	17,096,833	14,299,780
Other regions in the PRC	9,950,074	6,056,855
	<u>27,046,907</u>	<u>20,356,635</u>

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

5. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Geographical segments - continued

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	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Hong Kong	440,896,195	443,244,469	2,330,357	56,222,988
Other regions in the PRC	54,050,860	57,039,863	1,603,148	2,763,154
	494,947,055	500,284,332	3,933,505	58,986,142

Note 1: In the prior financial year, gross proceeds arising from the sales of securities of HK\$145,548,664 was presented as part of group's revenue for segment presentation purpose. However, in the current financial year, the amount of revenue for segment reporting purposes does not include the gross proceeds arising from the sales of securities. Accordingly, the amount of revenue for segment reporting purposes for prior year have been restated.

6. FINANCE COSTS

	2008 HK\$	2007 HK\$
Interest on bank and other borrowings:		
Wholly repayable within five years	189,151	6,728
Not wholly repayable within five years	3,966,096	3,650,749
Interest on finance leases	64,338	89,528
	4,219,585	3,747,005

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

7. PROFIT (LOSS) BEFORE TAXATION

	2008 HK\$	2007 HK\$
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of intangible asset (included in cost of sales)	–	1,885,400
Depreciation:		
Owned assets	9,763,070	8,777,778
Assets held under finance leases	–	213,090
	9,763,070	10,876,268
Allowance for doubtful debts	251,845	3,481,040
Release of prepaid lease payments	28,016	139,833
Impairment loss on intangible asset (included in cost of sales)	–	2,770,800
Auditor's remuneration		
Current year	607,466	575,045
Underprovision prior years	150,000	–
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK\$293,987 (2007: HK\$381,845)	6,733,605	5,061,304
Loss on disposal of property, plant and equipment	162,472	340,417
Operating lease rentals in respect of buildings	4,528,865	3,404,466
and after crediting:		
Share of taxation of associates (included in share of results of associates)	107,623	186,662
Bank interest income	1,155,860	690,639
Exchange gain, net	2,015,577	1,399,986
Other interest income	313,151	872,063

Property rental income, net of:-

Outgoings from properties that generated rental income during the year of HK\$5,028,562 (2007: HK\$2,020,315).

Outgoings from properties that did not generate rental income during the year of HK\$1,125,624 (2007: HK\$822,105).

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2007: 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\$
2008					
Mr. Deacon Te Ken Chiu	20,000	-	-	-	20,000
Mr. Derek Chiu	10,000	844,654	12,000	400,000	1,266,654
Mr. Desmond Chiu	10,000	-	-	-	10,000
Ms. Margaret Chiu	10,000	191,049	12,000	-	213,049
Madam Chiu Ju Ching Lan	10,000	355,000	-	-	365,000
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	477,824	12,000	-	499,824
	480,000	2,048,527	45,000	400,000	2,973,527

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

8. DIRECTORS' EMOLUMENTS - continued

Included in the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK\$541,800 (2007: HK\$516,000).

No directors waived any emoluments in the year ended 31st March, 2008 and 2007.

During the year ended 31st March, 2008 and 2007, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors whose emoluments are disclosed above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008 HK\$	2007 HK\$
Salaries and other benefits	696,345	651,054
Retirement benefit schemes contributions	24,000	24,000
	720,345	675,054

10. 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. No provision for People's Republic of China ("PRC") Enterprise income tax as there is no assessable profit for both years for the subsidiary operated in PRC.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

10. TAXATION - continued

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

	2008 HK\$	2007 HK\$
Profit (loss) before taxation	7,605,689	(49,030,180)
Tax at the domestic income tax rate of 17.5%	1,330,996	(8,580,282)
Tax effect of share of results of associates	(96,347)	8,038,357
Tax effect of expenses not deductible for tax purposes	425,670	1,296,949
Tax effect of income not taxable for tax purposes	(243,352)	(187,570)
Tax effect of tax losses not recognised	4,143,601	1,705,873
Tax effect of utilisation of tax losses previously not recognised	(1,157,134)	(996,987)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(146,519)	(681,788)
Others	(434,586)	(194,552)
Taxation for the year	3,822,329	400,000

Details of deferred taxation are set out in note 35.

11. 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 year of HK\$3,783,360 (2007: loss of HK\$49,430,180) and 488,842,675 (2007: 488,842,675) ordinary shares in issue during the year.

(b) Diluted earnings (loss) per share

No diluted earnings (loss) per share is presented for as the exercise of the potential dilutive ordinary shares would result in an increase in earning per share (2007: a reduction in loss per share).

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

12. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY	
	Leasehold land and buildings in Hong Kong HK\$	Buildings in PRC in 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, 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
Exchange adjustments	-	3,802,891	-	748,257	-	4,551,148	-
Additions	-	-	-	2,317,157	1,616,348	3,933,505	399,880
Disposals	-	-	-	(790,722)	-	(790,722)	(412,550)
At 31st March, 2008	19,846,984	90,239,453	37,323,408	37,097,444	4,270,521	188,777,810	2,313,001
DEPRECIATION AND IMPAIRMENT							
At 1st April, 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
Exchange adjustments	-	1,595,863	-	590,307	-	2,186,170	-
Provided for the year	454,894	4,517,033	746,472	3,240,729	803,942	9,763,070	230,803
Eliminated on disposals	-	-	-	(534,271)	-	(534,271)	(184,920)
At 31st March, 2008	1,878,648	40,279,482	18,412,888	19,976,277	1,859,033	82,406,328	610,969
CARRYING VALUES							
At 31st March, 2008	17,968,336	49,959,971	18,910,520	17,121,167	2,411,488	106,371,482	1,702,032
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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

12. 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 improvements, furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

- (b) Last 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\$36,878,856 (2007: HK\$38,080,222) and the PRC with a carrying value HK\$49,959,971 (2007: HK\$52,269,976) 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\$Nil (2007: HK\$1,623,677) in respect of assets held under finance leases.

13. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT FAIR VALUE	
At 1st April, 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	125,024,535
Disposals	(9,260,000)
Increase in fair value recognised in consolidated income statement	<u>27,249,807</u>
At 31st March, 2008	<u>143,014,342</u>

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

13. INVESTMENT PROPERTIES - continued

Certain investment properties with a carrying value of HK\$43,474,000 (2007: HK\$36,284,000) 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, 2008 and 2007 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 Valuers ("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 interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31st March, 2008, the carrying amount of such property interests amounted to HK\$143,014,342 (2007: HK\$125,024,535).

14. 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	
	2008 HK\$	2007 HK\$
Non-current assets	1,029,464	1,057,446
Current assets	28,016	28,050
	1,057,480	1,085,496

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

15. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY HK\$
GROSS AMOUNT	
At 1st April, 2006	11,312,400
Impairment loss recognised	<u>(11,312,400)</u>
At 31st March, 2007 and 2008	<u>–</u>
AMORTISATION AND IMPAIRMENT	
At 1st April, 2006	6,656,200
Charged for the year	1,885,400
Impairment loss recognised	<u>(8,541,600)</u>
At 31st March, 2007 and 2008	<u>–</u>
CARRYING VALUES	
At 31st March, 2007 and 2008	<u>–</u>

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. Last year, the Group recognised an impairment loss of HK\$2,770,800 upon the expiry of the agreement.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2008 HK\$	2007 HK\$
Unlisted shares, at cost	89,209,222	89,209,222
Less: Impairment loss recognised	<u>(11,419,494)</u>	<u>(11,419,494)</u>
	<u>77,789,728</u>	<u>77,789,728</u>

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

16. INVESTMENTS IN SUBSIDIARIES - continued

Particulars of the subsidiaries of the Company at 31st March, 2008 and 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
Grand Sparkle Limited	HK\$1 Ordinary share	100	–	Property investment
Jeanstar Limited	HK\$1 Ordinary share	100	–	Property investment

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

16. 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	
		%	%	
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
Superlight Limited	HK\$2 Ordinary shares	100	–	Investment holding

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

16. 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		Principal activities
		held by the Company		
		Directly %	Indirectly %	
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

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 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	(208,042,734)	(200,793,286)	–	–
Impairment loss recognised	–	–	(212,578,509)	(212,578,509)
	4,535,780	11,785,228	3	3

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 associate for the year are as follows:

	Year ended 31st March,	
	2008 HK\$	2007 HK\$
Unrecognised share of profit (loss) of an associate for the year	3,227,852	(29,358,157)
Accumulated unrecognised share of loss of an associate	(26,130,305)	(29,358,157)

In the prior financial year, 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 recognised an impairment loss of HK\$48,978,509. The impairment was 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, 2008

17. INTERESTS IN ASSOCIATES - continued

Particulars of the associates of the Group at 31st March, 2008 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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

17. INTERESTS IN ASSOCIATES - continued

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

Results

	Year ended 31st March,	
	2008 HK\$	2007 HK\$
Revenue	4,130,045	4,912,786
Profit (loss) for the year	1,101,104	(102,287,869)
Group's share of result of associates for the year	550,552	(45,933,469)

Financial position

	At 31st March,	
	2008 HK\$	2007 HK\$
Total assets	11,754,170	27,886,708
Total liabilities	(2,682,611)	(69,556,599)
Net assets	9,071,559	(41,669,891)
Group's share of net assets of associates	4,535,780	11,785,228

18. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008 HK\$	2007 HK\$
Equity securities listed in Hong Kong, at fair value	–	5,593,000
Unlisted equity securities overseas, at cost	180,411,545	180,411,545
	180,411,545	186,004,545

	THE COMPANY	
	2008 HK\$	2007 HK\$
Unlisted equity securities overseas, at cost	157,026,351	157,026,351

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.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

18. AVAILABLE-FOR-SALE INVESTMENTS - continued

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, 2008 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

Last year, the listed equity securities with carrying value of HK\$5,593,000 are registered in name of Mr. Derek Chiu, director of the Company, as trustee for the Group. These securities were fully disposed of during the year.

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..

19. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Paintings, at cost	3,373,523	—	3,373,523	—

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

20. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2008 HK\$	2007 HK\$
Equity securities listed in Hong Kong, at fair value	16,472,395	13,681,420
Warrants listed in Hong Kong, at fair value	6,045,500	6,799,100
	22,517,895	20,480,520

	THE COMPANY	
	2008 HK\$	2007 HK\$
Equity securities listed in Hong Kong, at fair value	590,000	658,000

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

21. INVENTORIES

The amount represents food and beverage and other consumable, of which HK\$296,924 (2007: HK\$288,057) are stated at net realisable value.

22. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade and other receivables at the balance sheet date:

	THE GROUP	
	2008 HK\$	2007 HK\$
0-30 days	3,409,065	3,511,084
31-60 days	53,974	23,082
Over 60 days	516,295	378,557
Trade and other receivables	3,979,334	3,912,723
Less: allowance for doubtful debts	(510,545)	(3,481,040)
	3,468,789	431,683

In current year, included in other receivables of the Group and the Company were amounts of HK\$3,196,000 (2007: HK\$80,000) which bear interests ranging from 5% to Hong Kong Prime Rate (2007: 8%) per annum.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

22. TRADE AND OTHER RECEIVABLES - continued

Before accepting any new customer, the Group has assessed its credit quality and defined credit rating limits. The limit attributed to customers are reviewed every year. 98% (2007: 68%) of the trade receivables are neither past due nor impaired, and no impairment has been made to trade receivables.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$59,724 (2007: HK\$137,503) which are past due at the reporting date for which the Group has not provided for impairment loss, taking into account the past default experience. The Group does not hold any collateral over these balances.

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

	2008 HK\$	2007 HK\$
Overdue by 0-30 days	53,974	23,082
Overdue by over 30 days	5,750	114,421
Total	59,724	137,503

Movement in the allowance for doubtful debts

	2008 HK\$	2007 HK\$
Balance at beginning of the year	3,481,040	115,491
Allowance for doubtful debts	251,845	3,481,040
Amounts written off as uncollectible	(3,222,340)	(115,491)
Balance at end of the year	510,545	3,481,040

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

23. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured and repayable on demand. Except for an amount of HK\$104,287,297 (2007: HK\$78,894,573), which bears interest ranging from Hong Kong Prime Rate minus 4% to Hong Kong Prime Rate plus 2% (2007: Hong Kong Prime Rate minus 4%) per annum, the remaining amounts are interest-free.

The directors of the Company expect that the amounts due from subsidiaries will be settled within one year as it is planned that certain subsidiaries will obtain funding to settle the outstanding amounts within one year.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

24. AMOUNTS DUE FROM/TO ASSOCIATES

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

25. 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 31.3.2008 HK\$	at 1.4.2007 HK\$	amount during the year HK\$	at 31.3.2008 HK\$	at 1.4.2007 HK\$	amount during the year HK\$
Far East Holdings 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)	51,773	151,772	151,772	-	-	-
		472,489	572,488		420,716	420,716	

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

26. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The pledged bank deposits carry interest at the rate ranging from 1.395% to 4.1275% 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 0.85% to 5% per annum.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

27. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2008 HK\$	2007 HK\$
0-30 days	974,698	800,790
31-60 days	125,830	229,556
Over 60 days	1,596,711	1,652,950
Trade payables	2,697,239	2,683,296
Other payables	3,613,376	4,491,808
	6,310,615	7,175,104

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

28. AMOUNTS DUE TO SUBSIDIARIES

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

29. AMOUNTS DUE TO RELATED COMPANIES

Name of company	Name of common directors	THE GROUP		THE COMPANY	
		2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu	26,114	47,783	26,114	47,783
Tang Dynasty City Pte. Ltd.	Deacon Te Ken Chiu Dennis Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te Ken Chiu)	–	–	331,943	231,942
Far East Theatres Management Limited	Deacon Te Ken Chiu Chiu Ju Ching Lan Dick Tat Sang Chiu David Chiu	186,292	124,039	186,291	124,039
		212,406	171,822	544,348	403,764

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

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For the Year ended 31st March, 2008

30. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
THE GROUP AND THE COMPANY				
Amounts payable under finance leases:				
Within one year	–	486,420	–	442,773
In the second to fifth year inclusive	–	283,744	–	276,200
	–	770,164	–	718,973
Less: Future finance charges	–	(51,191)	–	–
Present value of lease obligations	–	718,973	–	718,973
Less: Amount due within one year shown under current liabilities			–	(442,773)
Amount due after one year			–	276,200

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. All outstanding finance leases have been repaid during the year.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

32. SECURED BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Bank borrowings comprise:				
Mortgage loans	53,472,114	60,797,930	–	–
Bank loans	29,700,000	27,440,000	29,700,000	27,440,000
	83,172,114	88,237,930	29,700,000	27,440,000
The above borrowings are repayable as follows:				
Within one year	5,195,638	4,264,068	3,240,000	2,240,000
More than one year, but not exceeding two years	5,525,353	4,405,667	3,240,000	2,240,000
More than two years, but not exceeding five years	22,017,290	14,425,265	9,220,000	6,720,000
More than five years	50,433,832	65,142,930	14,000,000	16,240,000
	83,172,113	88,237,930	29,700,000	27,440,000
Less: Amount due within one year shown under current liabilities	(5,195,638)	(4,264,068)	(3,240,000)	(2,240,000)
Amount due after one year	77,976,475	83,973,862	26,460,000	25,200,000

The bank borrowings carry floating-rate interest based on the bank's prime rate and the effective rates ranged from 2.95% to 6.62% (2007: 4.95% to 7%) per annum.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	2008 HK\$	2007 HK\$
Authorised:				
At 1st April, 2007	750,000,000	750,000,000	750,000,000	750,000,000
Capital reduction	–	–	(675,000,000)	–
At 31st March, 2008	750,000,000	750,000,000	75,000,000	750,000,000
Issued and fully paid:				
At 1st April, 2007	488,842,675	488,842,675	488,842,675	488,842,675
Capital reduction	–	–	(439,958,407)	–
At 31st March, 2008	488,842,675	488,842,675	48,884,268	488,842,675

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

33. SHARE CAPITAL - continued

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

A total credit of HK\$439,958,407 arose as a result of the Capital Reduction. An amount of HK\$221,897,828 of the total amount was applied towards writing off the unconsolidated accumulated losses of the Company as at 31st March, 2006, and HK\$100,000,000 was transferred to a special reserve. The remaining balance of HK\$118,060,579 was credited to the share premium account of the Company.

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

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

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

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

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For the Year ended 31st March, 2008

33. SHARE CAPITAL - continued

The undertaking is subject to the following provisions:

1. the amount standing to the credit of the special reserve may be applied for the same purposes as a share premium account may be applied or may be reduced by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after 20th July, 2007; and
2. an amount of up to HK\$100,000,000 of the special reserve may be applied by the Company for the purpose of eliminating any loss sustained after 31st March, 2006, provided that such loss is referable to an audited 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 reserve.

34. RESERVES

	Share premium HK\$	Capital reserve HK\$	Special reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY						
At 1st April, 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)
Capital reduction (Note 33)	118,060,579	-	100,000,000	-	221,897,828	439,958,407
Transfer prior year loss to special reserve (Note 33)	-	-	(10,554,955)	-	10,554,955	-
Loss for the year	-	-	-	-	(5,958,124)	(5,958,124)
At 31st March, 2008	210,865,965	21,223,231	89,445,045	28,990,000	(5,958,124)	344,566,117

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

35. 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 investment properties HK\$	Tax losses HK\$	Total HK\$
At 1st April, 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
Charge to consolidated income statement	231,569	4,768,716	(1,177,956)	3,822,329
At 31st March, 2008	10,041,239	5,282,959	(3,582,446)	11,741,752

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

At 31st March, 2008, the Group has unused tax losses of approximately HK\$139,743,000 (2007: HK\$115,947,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$20,470,000 (2007: HK\$13,740,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$119,273,000 (2007: HK\$102,207,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$19,632,000 (2007: HK\$25,879,000) which will expire in the following years:

	2008 HK\$	2007 HK\$
2008/2007	–	7,820,000
2009/2008	6,548,000	6,023,000
2010/2009	6,120,000	5,630,000
2011/2010	3,817,000	3,511,000
2012/2011	3,147,000	2,895,000
	19,632,000	25,879,000

At 31st March, 2008, the Company has unused tax losses of approximately HK\$37,403,000 (2007: HK\$23,155,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

36. 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	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
At beginning and end of the year	2,055,013	2,055,013	1,176,900	1,176,900

37. MAJOR NON-CASH TRANSACTIONS

In current 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\$341,236 (2007: nil).

In current year, consultancy fee of HK\$5,808,900 (2007: nil) was settled in the form of certain available-for-sale investment held by the Group.

38. PLEDGE OF ASSETS

At the balance sheet date, the bank credit facilities of the Group and the Company amounted to approximately HK\$92,172,000 (2007: HK\$97,238,000) and HK\$33,700,000 (2007: HK\$36,440,000) respectively, of which approximately HK\$83,172,000 (2007: HK\$88,238,000) and HK\$29,700,000 (2007: HK\$27,440,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Property, plant and equipment	52,226,329	55,326,309	–	–
Investment properties	89,900,000	80,530,000	–	–
Bank deposits	2,410,948	2,324,734	2,279,834	2,197,794
	144,537,277	138,181,043	2,279,834	2,197,794

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Guarantee given to banks in respect of banking facilities utilised by subsidiaries	–	–	56,135,179	56,135,179
Guarantee given to banks in respect of banking facilities granted to subsidiaries	–	–	56,135,179	56,135,179

40. 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	
	2008 HK\$	2007 HK\$
Within one year	4,656,836	3,643,866
In the second to fifth year inclusive	18,627,342	13,375,464
Over five years	53,553,609	41,798,325
	76,837,787	58,817,655

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

The Group as lessor:

	THE GROUP	
	2008 HK\$	2007 HK\$
Within one year	3,066,335	–
In the second to fifth year inclusive	277,193	–
	3,343,528	–

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

40. COMMITMENTS - continued

(a) Operating lease arrangements - continued

The Group as lessor: - continued

Property rental income earned during the year was HK\$10,488,655 (2007: HK\$6,056,855). The properties are expected to generate an average rental yield of 2%-10% per annum and have committed tenants for a term of two years.

(b) Capital commitments

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

- acquisition of property, plant and equipment
- acquisition of investment properties

THE GROUP	
2008	2007
HK\$	HK\$
66,250	274,954
-	-
66,250	274,954

41. 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.

42. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expense amounting to HK\$984,038 (2007: HK\$603,525) to an associate.

Details of amounts due from/to associates are disclosed in note 24.

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\$3,064,828 (2007: HK\$3,343,866) were paid to the minority shareholder.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

43. 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. All outstanding options were cancelled pursuant to a Board of Directors meeting of the Company held on 19th December, 2007.

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				Cancelled during the year	At 31.3.2008	Exercisable period
			At 1.4.2006	Expired during the year	At 31.3.2007	Expired during the year			
Mr. Derek Chiu	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)	-	-	-	-	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)	-	-	-	-	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
			18,150,000	(4,150,000)	14,000,000	(8,000,000)	(6,000,000)	-	

At an extraordinary general meeting of the Company held on 1st June, 2007, an ordinary resolution to approve the adoption of a new share option scheme (the "2007 Share Option Scheme") that complies with the Listing Rules was duly passed by shareholders. No share options were granted under this 2007 Share Option Scheme during the period and as at 31st March, 2008.

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

43. SHARE OPTION SCHEME - continued

At 31st March, 2008, there were no outstanding share options granted under the 2007 Share Option Scheme. The total number of shares in respect of which options may be granted under the 2007 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

44. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 32 (net of bank balances and cash) and equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in consolidated statement of changes in equity.

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

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

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45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	2008 HK\$	2007 HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	26,012,816	43,763,197
Held-for-trading investments	22,517,895	20,480,520
Available-for-sale investments	180,411,545	186,004,545
Financial liabilities		
Amortised cost	93,111,445	104,575,341
Financial liabilities at fair value through profit or loss	497,635	–

	THE COMPANY	
	2008 HK\$	2007 HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	193,063,121	206,028,603
Held-for-trading investments	590,000	658,000
Available-for-sale investments	157,026,351	157,026,351
Financial liabilities		
Amortised cost	39,394,644	42,328,946

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies

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

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

(i) Foreign currency risk management

THE GROUP AND THE COMPANY

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

The carrying amounts of the subsidiary's foreign currency denominated monetary assets and monetary liabilities at the reporting date are HK\$ Nil (2007: nil) and HK\$20,708,000 (2007: HK\$22,900,000) respectively.

Sensitivity analysis

When the functional currency of the group entity (i.e. Renminbi) strengthens 10% against the relevant foreign currency (ie Hong Kong dollars), the Group's profit would be increased by HK\$2,071,000 (2007: HK\$2,290,000). Conversely, a 10% weakening of Renminbi against Hong Kong dollars would have an equal and opposite impact on the Group's profit.

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

(ii) Interest rate risk management

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(ii) *Interest rate risk management - continued*

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including pledged bank deposits, bank balances and bank borrowing at the balance sheet date. For variable-rate financial instruments, the analysis is prepared assuming the amount of financial instruments outstanding at the balance sheet date is outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rate.

THE GROUP

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st March, 2008 would decrease/increase by HK\$301,000 (2007: HK\$245,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate financial instruments.

THE COMPANY

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31st March, 2008 would decrease/increase by HK\$37,016 (2007: HK\$45,351). This is mainly attributable to the Company's exposure to interest rates on its variable rate financial instruments.

(iii) *Other price risks*

The Group is exposed to price risks arising from available-for-sale investments and investments held for trading. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Other price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. If the market price of the available-for-sale investments and investments held for trading had been 10% higher/lower while all other variables were held constant:

- profit of the Group and the Company for the year ended 31st March, 2008 increase/decrease by HK\$2,252,000 and HK\$59,000 (2007: increase/decrease by HK\$2,048,000 and HK\$66,000) respectively as a result of the changes in fair value of held-for-trading investments; and
- investment valuation reserve of the Group and the Company would increase/decrease by HK\$Nil and HK\$Nil (2007: increase/decrease by HK\$559,000 and HK\$Nil) respectively for as a result of the changes in fair value of available-for-sale investments.

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(iii) *Other price risks - continued*

Other price sensitivity - continued

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

(iv) *Credit risk management*

As at 31st March 2008, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company balance sheet; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 39.

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

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities by continuously monitoring the forecast and actual cash flows.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settle on net settlement, the undiscounted net outflows on these derivatives are shown in the table.

THE GROUP

	Weighted average effective interest rate %	Repayable					Total		Carrying amount HK\$
		on demand HK\$	6 months or less HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years undiscounted cash flows HK\$		
2008									
Non-derivative instrument									
Non-interest bearing	-	3,628,718	5,574,708	-	735,906	-	-	9,939,332	9,939,332
Bank borrowing at variable rate	4.25	-	3,450,158	3,865,340	7,683,644	27,722,676	61,760,574	104,482,392	83,172,113
		3,628,718	9,024,866	3,865,340	8,419,550	27,722,676	61,760,574	114,421,724	93,111,445
Derivative instrument									
net settlement									
Financial liabilities at fair value through profit or loss	-	-	497,635	-	-	-	-	497,635	497,635

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) Liquidity risk management - continued

THE GROUP - continued

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months or less HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2007									
Non-derivative instrument									
Non-interest bearing	-	9,162,307	7,175,104	-	-	-	-	16,337,411	16,337,411
Bank borrowing at variable rate	4.83	-	4,537,706	4,311,575	8,559,218	25,499,040	95,539,729	138,447,268	88,237,930
Obligations under finance lease	6.07	-	243,210	243,210	283,744	-	-	770,164	718,973
		9,162,307	11,956,020	4,554,785	8,842,962	25,499,040	95,539,729	155,554,843	105,294,314

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months or less HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2008									
Non-derivative instrument									
Non-interest bearing	-	8,689,128	1,005,516	-	-	-	-	9,694,644	9,694,644
Bank borrowing at variable rate	4.25	-	1,948,586	2,019,205	3,963,255	11,290,980	14,734,112	33,956,138	29,700,000
		8,689,128	2,954,102	2,019,205	3,963,255	11,290,980	14,734,112	43,650,782	39,394,644

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2008

45. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(v) Liquidity risk management - continued

THE COMPANY - continued

	Weighted average effective interest rate %	Repayable on demand HK\$	6 months or less HK\$	6-12 months HK\$	1-2 years HK\$	2-5 years HK\$	Over 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2007									
Non-derivative instrument									
Non-interest bearing	-	13,546,638	1,342,308	-	-	-	-	14,888,946	14,888,946
Bank borrowing at variable rate	5.78	-	2,031,301	1,794,186	3,501,381	9,808,208	19,393,452	36,528,528	27,440,000
Obligations under finance lease	6.07	-	243,210	243,210	283,744	-	-	770,164	718,973
		<u>13,546,638</u>	<u>3,616,819</u>	<u>2,037,396</u>	<u>3,785,125</u>	<u>9,808,208</u>	<u>19,393,452</u>	<u>52,187,638</u>	<u>43,047,919</u>

(vi) Fair value of financial instruments

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input

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

46. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2008 the Group entered into provisional contracts with a third party to acquire properties under development at consideration of HK\$32,229,000. The anticipated completion of the construction is 31st July, 2009. Details of the acquisition are set out in the Group's circular dated 18th June, 2008.

List of Properties held by the Group

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

Financial Summary

For the year ended 31st March, 2008

RESULTS

	For the year ended 31st March,				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	
Revenue	24,226	22,440	20,323	20,357	27,047
(Loss) profit before taxation	(11,246)	3,602	(70,511)	(49,030)	7,606
Taxation	(549)	(112)	–	(400)	(3,823)
(Loss) profit for the year attributable to equity holders of the Company	(11,795)	3,490	(70,511)	(49,430)	3,783

ASSETS AND LIABILITIES

	At 31st March,				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	
Total assets	602,128	539,901	504,102	500,284	494,947
Total liabilities	(123,690)	(74,087)	(69,365)	(115,732)	(108,905)
Equity attributable to equity holders of the Company	478,438	465,814	434,737	384,552	386,042

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.