



*Far East Hotels and Entertainment Limited*

Stock Code : 37



# 2008

## Interim Report



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## CORPORATE INFORMATION

### Place of Incorporation

Hong Kong

### Board of Directors

#### *Executive Directors*

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

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

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

Margaret Chiu, LL.B.

#### *Non-executive Directors*

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Tan Sri Dato' David Chiu, B.SC.

Dennis Chiu, B.A.

Duncan Chiu, B.SC.

#### *Independent Non-executive Directors*

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

#### *Alternate Directors*

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

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

### Company Secretary

Tang Sung Ki, CPA, FCCA

### Qualified Accountant

Tang Sung Ki, CPA, FCCA

### Solicitors

Woo Kwan Lee & Lo

### Auditors

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

### Audit Committee

Ip Shing Hing, J.P.

Duncan Chiu, B.SC.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

### Remuneration Committee

Derek Chiu, B.A.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

### Principal Bankers

Allied Banking Corporation

(Hong Kong) Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Public Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

### Registered & Principal Office

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

### Share Registrars

Tricor Standard Limited

26/F., Tesbury Centre,

28 Queen's Road East, Hong Kong

### Stock Exchange

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

### Stock Code

0037

### Website

[www.tricor.com.hk/web/service/00037](http://www.tricor.com.hk/web/service/00037)

## **MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT**

### **Overall Results**

For the six months ended 30 September 2008, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net loss attributable to shareholders of HK\$25,978,394 (30/09/2007: net profit of HK\$12,718,989).

### **Interim Dividend**

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2008 (2007: Nil).

### **Review of Operations and Prospects**

The overall turnover of Cheung Chau Warwick Hotel has increased by 6% compared with last corresponding period. This increment is due to the various promotions from both rooms division and food & beverage division. In view of the current worldwide economic crisis, Cheung Chau Warwick Hotel will launch different special promotions from time to time to attract more business from local and overseas markets, including mainland China and Macau. The food & beverage division will offer more attractive menu in order to keep our customers and further enhance the market share.

The turnover of Beijing Warwick Suite Hotel has increased by 52% compared with last corresponding period. During the period, the renovation work of all the rooms on Level 1, Level 2 and the external wall of the main building (East Building) of Beijing Warwick Suite Hotel has been completed. New facilities such as conference service are available. The restaurant has been moved from the basement to Level 1, thus making the environment greatly improved. For the aspect of sales, more emphasis will be placed on both local and overseas short term business clients and overseas tours.

In securities investment and trading, the Group has recorded a loss of approximately HK\$19.34 million.

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.

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

## **Employees**

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

## **Finance Activities**

At 30/09/2008, the Group had bank credit facilities amounting to approximately HK\$89,698,000 (31/03/2008: HK\$92,172,000), of which approximately HK\$85,698,000 (31/03/2008: HK\$83,172,000) were utilised. These facilities, other than HK\$5,000,000 which was unsecured, were secured by legal mortgages over the Group’s properties and deposits.

At 30/09/2008, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders’ funds at 30/09/2008 amounted to approximately HK\$359 million (31/03/2008: approximately HK\$386 million). Accordingly, the Group’s gearing ratio (total bank credit facilities utilized to shareholders’ funds) at 30/09/2008 is 24% (31/03/2008: 22%).

## OTHER INFORMATION

### Directors' Interests in Shares and Underlying Shares

At 30 September 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 Issuers, 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:

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

*(b) Share options of the Company*

At an extraordinary general meeting of the Company held on 1 June 2007, an ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by the shareholders. No share options were granted under this new share option scheme during the period and as at 30 September 2008.

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

## Substantial Shareholders

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 30 September 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 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:

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

Notes:

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



Save as disclosed above, as at 30 September 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.

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

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

### **Corporate Governance**

The Company has complied with Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008.

None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 and A.4.2 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 78 and 79 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

## **Audit Committee**

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and one non-executive director, Mr. Duncan Chiu.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2008.

## **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 of the Company, Mr. Derek Chiu. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

## **Model Code for Securities Transactions By Directors**

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

Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2008.

## **Derek Chiu**

*Managing Director & Chief Executive*

Hong Kong, 12 December 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	2007
		<b>(unaudited)</b>	(unaudited)
<i>Notes</i>		<b>HK\$</b>	HK\$
	Revenue from hotel operation	<b>8,727,114</b>	8,258,442
	Property rental income	<b>6,769,197</b>	3,855,265
	Cost of sales	<b>(15,131,236)</b>	(12,864,973)
		<b>365,075</b>	(751,266)
	Dividend income from listed securities	<b>337,902</b>	33,241
	(Decrease) Increase in fair value of held-for-trading investments	<b>(16,928,258)</b>	22,674,665
	Other income	<b>66,102</b>	901,224
	Gain on disposal of investment properties	–	50,010
	Increase in fair value of financial liabilities at fair value through profit and loss	<b>(2,749,799)</b>	–
	Administrative expenses	<b>(6,152,661)</b>	(8,132,900)
	Finance costs	<b>(1,127,461)</b>	(2,324,783)
	Share of results of associates	<b>210,706</b>	268,798
	(Loss) Profit before taxation	<b>(25,978,394)</b>	12,718,989
	Taxation	–	–
	(Loss) Profit for the period	<b>(25,978,394)</b>	12,718,989
		<b>Cents</b>	Cents
	(Loss) Earnings per share – Basic	<b>(5.31)</b>	2.60

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2008

	Notes	<b>30/09/2008 (unaudited) HK\$</b>	31/03/2008 (audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>105,767,655</b>	106,371,482
Investment properties		<b>143,014,342</b>	143,014,342
Prepaid lease payments		<b>1,015,456</b>	1,029,464
Interests in associates	8	<b>4,709,150</b>	4,535,780
Available-for-sale investments		<b>180,411,545</b>	180,411,545
Other non-current assets		<b>4,982,173</b>	3,373,523
		<b>439,900,321</b>	438,736,136
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>28,016</b>	28,016
Held-for-trading investments		<b>15,824,305</b>	22,517,895
Inventories		<b>519,254</b>	437,303
Trade and other receivables	9	<b>3,588,813</b>	3,468,789
Deposits and prepayment		<b>9,899,492</b>	7,214,889
Amount due from an associate		<b>203,562</b>	203,562
Amounts due from related companies		<b>472,489</b>	472,489
Pledged bank deposits		<b>2,430,133</b>	2,410,948
Bank balances and cash		<b>4,333,088</b>	19,457,028
		<b>37,299,152</b>	56,210,919

	Notes	<b>30/09/2008 (unaudited) HK\$</b>	31/03/2008 (audited) HK\$
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>6,923,327</b>	6,310,615
Deposits received		<b>1,457,290</b>	1,499,709
Amount due to associates		<b>3,280,381</b>	1,697,717
Amount due to related companies		<b>238,011</b>	212,406
Amount due to a minority shareholder		<b>3,251,420</b>	1,718,594
Secured bank borrowings – due within 1 year		<b>5,469,870</b>	5,195,638
Unsecured bank borrowings – due within 1 year		<b>5,000,000</b>	–
Financial liabilities at fair value through profit and loss		<b>3,247,434</b>	497,635
		<b>28,867,733</b>	17,132,314
<b>NET CURRENT ASSETS</b>			
		<b>8,431,419</b>	39,078,605
		<b>448,331,740</b>	477,814,741
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>48,884,268</b>	48,884,268
Reserves		<b>310,422,307</b>	337,157,233
		<b>359,306,575</b>	386,041,501
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		<b>11,741,752</b>	11,741,752
Provision for long service payments		<b>2,055,013</b>	2,055,013
Secured bank borrowings – due after 1 year		<b>75,228,400</b>	77,976,475
		<b>89,025,165</b>	91,773,240
		<b>448,331,740</b>	477,814,741

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Investment revaluation reserve	Property revaluation reserve	Exchange reserve	Special reserve	Retained profits (Accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2008 (Audited)	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
Transfer prior year loss to special reserve	-	-	-	-	-	-	-	(5,958,124)	5,958,124	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(756,532)	-	-	(756,532)
Loss for the period	-	-	-	-	-	-	-	-	(25,978,394)	(25,978,394)
<b>At 30 September 2008 (Unaudited)</b>	<b>48,884,268</b>	<b>210,865,965</b>	<b>21,223,231</b>	<b>28,990,000</b>	<b>-</b>	<b>2,938,532</b>	<b>(4,077,023)</b>	<b>83,486,921</b>	<b>(33,005,319)</b>	<b>359,306,575</b>
At 1 April 2007 (Audited)	48,842,675	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	-	-	-	-	-	-	(956,594)	-	-	(956,594)
Change in fair value of available-for-sale investments	-	-	-	-	137,130	-	-	-	-	137,130
Profit for the period	-	-	-	-	-	-	-	-	12,718,989	12,718,989
<b>At 30 September 2007 (Unaudited)</b>	<b>48,884,268</b>	<b>210,865,965</b>	<b>21,223,231</b>	<b>28,990,000</b>	<b>137,130</b>	<b>2,938,532</b>	<b>(5,195,990)</b>	<b>89,445,045</b>	<b>(836,420)</b>	<b>396,451,761</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended 30 September	
	2008 (unaudited) HK\$	2007 (unaudited) HK\$
Net cash (used in) from operating activities	<b>(13,989,288)</b>	2,410,497
Net cash (used in) from investing activities	<b>(4,066,174)</b>	9,164,282
Net cash from (used in) financing activities	<b>2,931,522</b>	(410,689)
Net (decrease) increase in cash and cash equivalents	<b>(15,123,940)</b>	11,164,090
Cash and cash equivalents at beginning of the period	<b>19,457,028</b>	40,230,730
Cash and cash equivalents at end of the period	<b>4,333,088</b>	51,394,820

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2008 annual financial statements.

### 2. Application of New and Revised Hong Kong Financial Reporting Standards

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2008 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”), issued by the HKICPA that is effective for accounting periods beginning on or after 1st April, 2008. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>



HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-INT 13	Customer Loyalty Programmes <sup>2</sup>
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

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

### 3. Business and Geographical Segments

#### *Business segments*

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
<b>2008</b>	Six months ended 30 September (unaudited)				
<b>REVENUE</b>	8,727,114	6,769,197	-	-	15,496,311
<b>RESULTS</b>					
Segment profit (loss)	914,810	(549,735)	(19,340,155)	12,269	(18,962,811)
Bank interest income					53,833
Unallocated corporate expenses					(6,152,661)
Finance costs					(1,127,461)
Share of results of associates					210,706
Loss before taxation					(25,978,394)
Taxation					-
Loss for the period					(25,978,394)

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Investment holding HK\$	Consolidated HK\$
<b>2007</b>	Six months ended 30 September (unaudited)				
<b>REVENUE</b>	8,258,442	3,855,265	-	-	12,113,707
<b>RESULTS</b>					
Segment profit (loss)	611,302	(1,362,568)	22,707,906	219,745	22,176,385
Bank interest income					681,479
Gain on disposal of investment property					50,010
Unallocated corporate expenses					(8,132,900)
Finance costs					(2,324,783)
Share of results of associates					268,798
Profit before taxation					12,718,989
Taxation					-
Profit for the period					12,718,989

*Geographical segments*

	<b>Sales revenue by geographical market</b>	
	<b>2008 (unaudited) HK\$</b>	2007 (unaudited) HK\$
Hong Kong	<b>9,619,633</b>	8,258,442
Other regions in the People's Republic of China	<b>5,876,678</b>	3,855,265
	<b>15,496,311</b>	12,113,707

#### 4. Depreciation and Amortisation

During the period, depreciation of HK\$4,268,406 (2007: HK\$3,977,655) was charged in respect of the Group's property, plant and equipment.

During the period, amortisation of HK\$14,008 (2007: HK\$14,008) was charged in respect of the Group's prepaid lease payments.

#### 5. Finance Costs

	Six months ended 30 September	
	2008 (unaudited) HK\$	2007 (unaudited) HK\$
Interest on bank and other borrowings:		
Wholly repayable within 5 years	436,802	4,659
Not wholly repayable within 5 years	690,659	2,276,650
Interest on finance leases	–	43,474
	<b>1,127,461</b>	<b>2,324,783</b>

#### 6. Taxation

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

#### 7. (LOSS) EARNINGS PER SHARE

(a) *Basic (loss) earnings per share*

The calculation of basic (loss) earnings per share is based on the loss for the period of HK\$25,978,394 (2007: profit of HK\$12,718,989) and 488,842,675 (2007: 488,842,675) ordinary shares in issue during the period.

(b) *Diluted (loss) earnings per share*

No diluted loss per share for the six months ended 30 September 2008 is presented as the Company does not have potential dilutive ordinary shares.

No diluted earnings per share for the six months ended 30 September 2007 has been presented because the exercise price of the Company's option was higher than the average market price per share.

## 8. Interests in Associates

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

### *Results*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$</b>	HK\$
Revenue	<b>1,829,962</b>	2,033,520
Profit for the period	<b>421,412</b>	537,596
Group's share of results of associates for the period	<b>210,706</b>	268,798

### *Financial position*

	<b>30/09/2008</b>	31/03/2008
	<b>(unaudited)</b>	(audited)
	<b>HK\$</b>	HK\$
Total assets	<b>11,950,514</b>	11,754,170
Total liabilities	<b>(2,532,214)</b>	(2,682,611)
Net assets	<b>9,418,300</b>	9,071,559
Group's share of net assets of associates	<b>4,709,150</b>	4,535,780

## 9. Trade and Other Receivables

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

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

	<b>30/09/2008</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2008 (audited) HK\$
0 – 30 days	<b>3,306,738</b>	3,409,065
31 – 60 days	<b>7,093</b>	53,974
Over 60 days	<b>785,527</b>	516,295
Trade and other receivables	<b>4,099,358</b>	3,979,334
Less: allowance for doubtful debts	<b>(510,545)</b>	(510,545)
	<b>3,588,813</b>	3,468,789

## 10. Trade and Other Payables

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

	<b>30/09/2008</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2008 (audited) HK\$
0 – 30 days	<b>469,182</b>	974,698
31 – 60 days	<b>341,945</b>	125,830
Over 60 days	<b>1,915,310</b>	1,596,711
Trade payables	<b>2,726,437</b>	2,697,239
Other payables	<b>4,196,890</b>	3,613,376
	<b>6,923,327</b>	6,310,615

## 11. Share Capital

	Number of shares		Share capital	
	2008	2007	2008 HK\$	2007 HK\$
Authorised:				
At 1 April	<b>750,000,000</b>	750,000,000	<b>75,000,000</b>	750,000,000
Capital reduction	-	-	-	(675,000,000)
At 30 September	<b>750,000,000</b>	750,000,000	<b>75,000,000</b>	75,000,000
Issued and fully paid:				
At 1 April	<b>488,842,675</b>	488,842,675	<b>48,884,268</b>	488,842,675
Capital reduction	-	-	-	(439,958,407)
At 30 September	<b>488,842,675</b>	488,842,675	<b>48,884,268</b>	48,884,268

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

A total credit of HK\$439,958,407 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.

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.

## 12. Commitments

### (a) Operating lease arrangements

The Group as lessee:

At 30/09/2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	<b>30/09/2008</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2008 (audited) HK\$
Within one year	<b>4,791,567</b>	4,656,836
In the second to fifth year inclusive	<b>19,166,267</b>	18,627,342
Over five years	<b>52,707,235</b>	53,553,609
	<b>76,665,069</b>	76,837,787



The Group as lessor:

	<b>30/09/2008</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2008 (audited) HK\$
Within one year	<b>3,598,666</b>	3,066,335
In the second to fifth year inclusive	–	277,193
	<b>3,598,666</b>	3,343,528

Property rental income earned during the period was HK\$6,769,197 (2007: HK\$3,855,265).

(b) *Capital commitments*

	<b>30/09/2008</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2008 (audited) HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	–	66,250
Acquisition of investment properties	<b>27,394,650</b>	–
	<b>27,394,650</b>	66,250