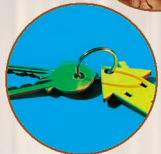




Annual Report  
2009



*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*)

Margaret Chiu, LL.B.

#### Non-executive Directors

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Tan Sri Dato' David Chiu, B.Sc.

Dennis Chiu, B.A.

Duncan Chiu, B.Sc.

#### Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

#### Alternate Director

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

### COMPANY SECRETARY AND 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.

### 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)



## Profile of Directors

### BOARD OF DIRECTORS

#### Executive Directors

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

Aged 84. He was appointed as a Director and Chairman of the Company in 1979. He is the founder of the Far East Group. He is also the Chairman of Far East Consortium International Limited and Far East Holdings International Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. Mr. Chiu was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966. Mr. Chiu is the husband of Madam Chiu Ju Ching Lan and the father of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

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

Aged 43. He joined and was appointed as Director of the Company in 1989. He is also a Non-executive Director of Far East Holdings International Limited. He has extensive experience in the operation of amusement parks and entertainment business. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu and Duncan Chiu.

**Ms. Margaret Chiu, LL.B.**

Aged 52. She 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. She has extensive experience in entertainment, television and motion picture business in Hong Kong, the People's Republic of China and overseas. She is the daughter of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the sister of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

### Non-Executive Directors

#### **Madam Chiu Ju Ching Lan, J.P.**

Aged 69. She joined the Company and was appointed as Director in 1979. She is also a Non-executive Director of Far East Consortium International Limited. Since 1975, she is the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was Lady Chairman of Yan Chai Hospital for 1977/78. 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. She is the wife of Mr. Deacon Te Ken Chiu and the mother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

#### **Mr. Dick Tat Sang Chiu, M.A.**

Aged 58. He joined the Far East Group in 1974 and was appointed as Director in 1979. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. David Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

#### **Tan Sri Dato' David Chiu, B.SC.**

Aged 55. He joined the Far East Group in 1975 and was appointed as Director of the Company in 1979. He holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He has over 30 years' experience in the property development and related business. Since 1978, he had been the Managing Director of Far East Consortium Limited (the predecessor of Far East Consortium International Limited). He was appointed as Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited ("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 Company Limited, which is listed on the Tokyo Stock Exchange. In regard to his devotion to the community services, he is a trustee member of The Better Hong Kong Foundation and a committee member of Mid-Autumn Festival Celebration – People & Forces. In Malaysia, he was first conferred an honorary award which carried the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri" by His Majesty of Malaysia. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Duncan Chiu.

## Profile of Directors

### **Mr. Dennis Chiu, B.A.**

Aged 50. He joined the Company and was appointed as Director in 1979. He has been actively involved in the business development in the People's Republic of China, Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and an Executive Director of Far East Holdings International Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Derek Chiu and Duncan Chiu.

### **Mr. Duncan Chiu, B.SC.**

Aged 34. He 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. He also serves as Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of Hong Kong & Mainland Software Industry Cooperation Association Limited, 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. He is the son of Mr. Deacon Te Ken Chiu and Madam Chiu Ju Ching Lan and the brother of Messrs. Dick Tat Sang Chiu, David Chiu, Margaret Chiu, Dennis Chiu and Derek Chiu.

## Independent Non-Executive Directors

### **Mr. Ip Shing Hing, J.P.**

Aged 54. Mr. Ip was appointed as an Independent Non-executive Director of the Company on 31 March 1997. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Arts in Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He has been a practising solicitor in Hong Kong for more than 20 years. Mr. Ip is an independent non-executive director of Binhai Investment Limited.

### **Mr. Ng Wing Hang Patrick**

Aged 56. 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 60. 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

### Alternate Director

#### **Mr. Chan Chi Hing**

Aged 46. 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.



## Managing Director & Chief Executive's Statement

### RESULTS

I report to the shareholders that the audited consolidated loss of the Group attributable to shareholders for the year ended 31 March 2009 amounted to HK\$77,993,682 (2008: profit of HK\$3,783,360).

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

### REVIEW OF OPERATIONS AND PROSPECTS

The loss for the year ended 31 March 2009 amounting to HK\$77,993,682 was mainly due to a decrease in fair value of investment properties of approximately HK\$39 million, a loss of approximately HK\$22 million from securities investment and trading and provision for onerous contracts of approximately HK\$3.7 million.

The recent impact of the economic crisis and swine flu has deeply affected all industries worldwide, especially hospitality industry which has recorded a significant decrease in average room rate and occupancy. However, the turnover of Cheung Chau Warwick Hotel has remained stable for the year concerned as compared with last year. This year the management tries to broaden our local market by closely monitoring our competitors' room rate in order to stay competitive, and work more closely with local agents. Besides, we try to improve our current service by adding some extra elements to our hotel.

The turnover of Beijing Warwick Suite Hotel has increased by 8% compared with last year. During the year, 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. To cope with the increase in demand of service office, some guest rooms have been converted and renovated to spacious fully furnished office suite. New facilities such as conference service are available. For the aspect of sales, more emphasis will be placed on both local and overseas short term business clients and overseas tours, as well as service office clients with different packages offered.

### 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 2009, the Group had bank credit facilities amounting to approximately HK\$86,963,000 (2008: HK\$92,172,000), of which approximately HK\$83,959,000 (2008: HK\$83,172,000) were utilised. These facilities, other than HK\$3,500,000 which was unsecured, were secured by legal mortgages over the Group's properties and bank deposits.

At 31 March 2009, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2009 amounted to approximately HK\$286 million (2008: approximately HK\$365 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2009 is 29% (2008: 23%).

### SUBSEQUENT EVENTS

On 29 June 2009, a subsidiary of the Group entered into a provisional sale and purchase agreement with a purchaser to dispose of one of its investment properties at a consideration of HK\$27,380,000, which will result in an increase in fair value of approximately HK\$4,900,000 for the year ending 31 March 2010.

During the year, the Group entered into contracts with independent third parties to acquire properties at aggregate purchase price of HK\$32,229,000. Subsequent to the balance sheet date, the underlying properties were sold to independent third parties at HK\$28,523,000 (net with associated transaction costs). Accordingly, a provision for onerous contracts of HK\$3,706,000 was recognised in the consolidated income statement for the year ended 31 March 2009, which represented the difference between the sales proceeds and the unavoidable costs of meeting the obligations under the contracts.

In connection with the above disposals, the Group estimated that the net proceeds will be of approximately HK\$11,700,000 and are intended for working capital purpose.

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, 17 July 2009

## 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, 2009.

### 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 17 and 18, 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 pages 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 13 to the consolidated financial statements.

### INVESTMENT PROPERTIES

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

### PROPERTIES

Details of the properties held by the Group at 31st March, 2009 are set out on page 87 of the annual report.

### PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

## DIRECTORS

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

### Executive directors

Mr. Deacon Te Ken Chiu (*Chairman*)

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

Mr. Desmond Chiu (*Deputy Managing Director*)

(*Resigned on 18th February, 2009*)

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*)

(*Resigned on 18th February, 2009*)

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

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Deacon Te Ken Chiu, Mr. Derek Chiu, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond 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, 2009, the interests and short positions of the directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

#### (b) Share options of the Company

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



## Directors' Report

Save as disclosed above, as at 31st March, 2009, none of the directors nor the Company's chief executive nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies.

### SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 43 to the consolidated financial statements.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

### DIRECTORS' SERVICE CONTRACTS

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

## Directors' Report

### 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, 2009, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
Achiemax Limited ( <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, 2009 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.

### DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$403,000.

### MAJOR SUPPLIERS AND CUSTOMERS

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

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

### EMPLOYEES AND REMUNERATION POLICIES

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

### **CORPORATE GOVERNANCE**

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

### **AUDIT COMMITTEE**

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

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **EMOLUMENT POLICY**

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

### **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, 2009.

### **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, 17 July 2009

# 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 2009.

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

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

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

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

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

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

## Corporate Governance Report

The Board met on four occasions during the year ended 31 March 2009. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
<b>Executive Directors</b>		
Deacon Te Ken Chiu ( <i>Chairman</i> )	0/4	0%
Derek Chiu ( <i>Managing Director and Chief Executive</i> )	4/4	100%
Desmond Chiu ( <i>Deputy Managing Director</i> ) ( <i>Resigned on 18 February 2009</i> )	0/4	0%
Margaret Chiu	0/4	0%
<b>Non-executive Directors</b>		
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%
<b>Independent Non-executive Directors</b>		
Ip Shing Hing	2/4	50%
Ng Wing Hang Patrick	2/4	50%
Choy Wai Shek Raymond	2/4	50%
<b>Alternate Directors</b>		
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> ) ( <i>Resigned on 18 February 2009</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 Committee and Remuneration Committee in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2009, with deviations from code provision A.4.1 of the Code in respect of the service term of Directors.

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

## **INTERNAL CONTROL**

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

## **COMMUNICATION WITH SHAREHOLDERS**

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

## **AUDITOR'S REMUNERATION**

For the year ended 31 March 2009, the Auditor of the Company received approximately HK\$800,000 for audit service (2008: approximately HK\$800,000).

# 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 2009.

## 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 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 2008 and the annual report for the year ended 31 March 2009 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31 March 2009, two meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

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

## 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 2009, one meeting was held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee is as follows:

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



### 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 86, which comprise the consolidated and Company balance sheets as at 31st March, 2009, 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, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

17 July 2009

## Consolidated Income Statement

For the Year ended 31st March, 2009

	NOTES	2009 HK\$	2008 HK\$
Revenue from hotel operation		16,704,565	16,558,252
Property rental income		12,434,218	10,488,655
Cost of sales		(30,325,761)	(28,235,399)
Gross loss		(1,186,978)	(1,188,492)
Dividend income from listed securities		400,700	146,641
(Decrease) increase in fair value of held-for-trading investments		(21,675,986)	3,175,850
Other income		890,640	3,684,586
Gain on disposal of available-for-sale investments		–	3,428,900
Gain on disposal of investment properties		–	969,015
(Decrease) increase in fair value of investment properties	15	(38,992,202)	27,249,807
Provision for onerous contracts	24	(3,706,000)	–
Increase in fair value of financial liabilities at fair value through profit or loss		(42,790)	(497,635)
Administrative expenses		(17,167,601)	(25,693,950)
Finance costs	7	(2,254,762)	(4,219,585)
Share of results of associates		390,607	550,552
(Loss) profit before taxation	8	(83,344,372)	7,605,689
Taxation	11	5,350,690	(3,822,329)
(Loss) profit for the year		(77,993,682)	3,783,360
(Loss) earnings per share	12	(15.95) cents	0.77 cents



## Consolidated Balance Sheet

At 31st March, 2009

	NOTES	2009 HK\$	2008 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	101,628,623	106,371,482
Paintings	14	3,800,000	3,373,523
Investment properties	15	104,022,140	143,014,342
Prepaid lease payments	16	1,001,448	1,029,464
Interests in associates	18	1,926,387	4,535,780
Available-for-sale investments	19	159,188,314	159,188,314
		<b>371,566,912</b>	<b>417,512,905</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments	16	28,016	28,016
Held-for-trading investments	20	10,195,070	22,517,895
Inventories	21	414,450	437,303
Trade and other receivables	22	3,407,945	3,468,789
Deposits and prepayment		2,506,804	7,214,889
Deposits for acquisition of properties	24	4,844,170	–
Amount due from an associate	25	203,562	203,562
Amounts due from related companies	26	420,716	472,489
Pledged bank deposits	27	2,132,323	2,410,948
Bank balances and cash	27	2,040,796	19,457,028
		<b>26,193,852</b>	<b>56,210,919</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	7,305,296	6,310,615
Deposits received		3,153,914	1,499,709
Amounts due to directors	30	370,000	–
Amounts due to associates	25	385,381	1,697,717
Amounts due to related companies	26	315,192	212,406
Amount due to a minority shareholder	31	3,344,671	1,718,594
Provision for onerous contracts	24	3,706,000	–
Bank borrowings – due within one year	32	9,064,231	5,195,638
Financial liabilities at fair value through profit or loss		540,425	497,635
Bank overdrafts	32	2,495,979	–
		<b>30,681,089</b>	<b>17,132,314</b>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(4,487,237)</b>	<b>39,078,605</b>
		<b>367,079,675</b>	<b>456,591,510</b>

# Consolidated Balance Sheet

At 31st March, 2009

	NOTES	2009 HK\$	2008 HK\$
<b>CAPITAL AND RESERVES</b>			
Share capital	33	48,884,268	48,884,268
Reserves		237,350,345	315,934,002
		<b>286,234,613</b>	364,818,270
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	35	6,391,062	11,741,752
Provision for long service payments	36	2,055,013	2,055,013
Bank borrowings – due after one year	32	72,398,987	77,976,475
		<b>80,845,062</b>	91,773,240
		<b>367,079,675</b>	456,591,510

The consolidated financial statements on pages 22 to 86 were approved and authorised for issue by the Board of Directors on 17 July 2009 and are signed on its behalf by:

**DEREK CHIU**  
*DIRECTOR*

**DUNCAN CHIU**  
*DIRECTOR*

# Company Balance Sheet

At 31st March, 2009

	NOTES	2009 HK\$	2008 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	1,496,165	1,702,032
Paintings	14	3,800,000	3,373,523
Investments in subsidiaries	17	77,368,701	77,789,728
Interests in associates	18	1	3
Amounts due from subsidiaries	23	136,310,215	–
Available-for-sale investments	19	157,026,351	157,026,351
		<b>376,001,433</b>	<b>239,891,637</b>
<b>CURRENT ASSETS</b>			
Held-for-trading investments	20	158,000	590,000
Other receivables		3,256,788	3,198,124
Deposits and prepayment		490,455	477,168
Amounts due from subsidiaries	23	18,413,793	169,529,290
Amount due from an associate	25	203,562	203,562
Amount due from a related company	26	420,716	420,716
Pledged bank deposits	27	2,000,715	2,279,834
Bank balances and cash	27	168,410	17,431,598
		<b>25,112,439</b>	<b>194,130,292</b>
<b>CURRENT LIABILITIES</b>			
Other payables	28	1,341,686	1,005,516
Amounts due to directors	30	370,000	–
Amounts due to subsidiaries	29	780,380	8,107,444
Amounts due to associates	25	–	37,336
Amounts due to related companies	26	315,192	544,348
Bank borrowings – due within one year	32	6,740,000	3,240,000
Bank overdrafts	32	2,495,979	–
		<b>12,043,237</b>	<b>12,934,644</b>
<b>NET CURRENT ASSETS</b>			
		<b>13,069,202</b>	<b>181,195,648</b>
		<b>389,070,635</b>	<b>421,087,285</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	33	48,884,268	48,884,268
Reserves	34	315,789,467	344,566,117
		<b>364,673,735</b>	<b>393,450,385</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments	36	1,176,900	1,176,900
Bank borrowings – due after one year	32	23,220,000	26,460,000
		<b>24,396,900</b>	<b>27,636,900</b>
		<b>389,070,635</b>	<b>421,087,285</b>

**DEREK CHIU**  
DIRECTOR

**DUNCAN CHIU**  
DIRECTOR

## Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2009

	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, 2007										
As originally stated	488,842,675	92,805,386	21,223,231	28,990,000	-	2,938,532	(4,239,396)	-	(246,008,192)	384,552,236
Eliminated to available-for-sale investments	-	-	(21,223,231)	-	-	-	-	-	-	(21,223,231)
As restated	488,842,675	92,805,386	-	28,990,000	-	2,938,532	(4,239,396)	-	(246,008,192)	363,329,005
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
Net income recognised directly in equity	-	-	-	-	215,900	-	918,905	-	-	1,134,805
Profit for the year	-	-	-	-	-	-	-	-	3,783,360	3,783,360
Transfer to income statement on sales of available-for-sale investments	-	-	-	-	(215,900)	-	-	-	(3,213,000)	(3,428,900)
Total recognised income for the year	-	-	-	-	-	-	918,905	-	570,360	1,489,265
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	-
At 31st March, 2008	48,884,268	210,865,965	-	28,990,000	-	2,938,532	(3,320,491)	89,445,045	(12,985,049)	364,818,270
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	(589,975)	-	-	(589,975)
Loss for the year	-	-	-	-	-	-	-	-	(77,993,682)	(77,993,682)
Total recognised expense for the year	-	-	-	-	-	-	(589,975)	-	(77,993,682)	(78,583,657)
Transfer prior year loss to special reserve	-	-	-	-	-	-	-	(5,958,124)	5,958,124	-
At 31st March, 2009	48,884,268	210,865,965	-	28,990,000	-	2,938,532	(3,910,466)	83,486,921	(85,020,607)	286,234,613

## Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2009

### Notes

1. The capital reserve represents the portion of unrealised 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. Upon disposal of part of its interest in this associate, the remaining interest was reclassified as investment securities and as available-for-sale investments upon application of HKAS 39 "Financial instruments: Recognition and Measurement". The capital reserve was to be recycled to profit or loss upon disposal of the available-for-sale investments. The capital reserve was adjusted against the carrying amount of the available-for-sale investments to better reflect the cost of the available-for-sale investments at the date the Group ceased to have significant influence. Comparative amounts have been reclassified.
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. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to retained earnings.
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, 2008 amounted to HK\$5,958,124 (2007: HK\$10,554,955) was written off against the special reserve of HK\$89,445,045 (2008: HK\$100,000,000). In the case of any future non-permanent losses which may, from time to time, have been written off against such special reserve, any recovery from the Company's investments in respect of which such losses were recorded (up to HK\$100,000,000 or the amount of such written-off losses, whichever is less) will, likewise, be re-credited to the same special reserve for the protection of the creditors existing at the date when the proposed reduction becomes effective.

# Consolidated Cash Flow Statement

For the Year ended 31st March, 2009

	2009 HK\$	2008 HK\$
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(83,344,372)</b>	7,605,689
Adjustments for:		
Dividend income from listed securities	<b>(400,700)</b>	(146,641)
Interest income	<b>(246,890)</b>	(1,469,011)
Allowance for doubtful debts	–	251,845
Impairment loss on paintings	<b>1,182,173</b>	–
Release of prepaid lease payments	<b>28,016</b>	28,016
Depreciation	<b>9,329,348</b>	9,763,070
Finance costs	<b>2,254,762</b>	4,219,585
Loss on disposal of property, plant and equipment	<b>51,695</b>	162,473
Gain on disposal of investment properties	–	(969,015)
Gain on disposal of available-for-sale investments	–	(3,428,900)
Provision for onerous contracts	<b>3,706,000</b>	–
Increase in fair value of financial liabilities at fair value through profit or loss	<b>42,790</b>	497,635
Decrease (increase) in fair value of investment properties	<b>38,992,202</b>	(27,249,807)
Share of results of associates	<b>(390,607)</b>	(550,552)
Exchange gain	<b>(1,220,610)</b>	(1,446,073)
Operating cash flows before movements in working capital	<b>(30,016,193)</b>	(12,731,686)
Decrease in available-for-sale investments	–	5,808,900
Decrease (increase) in held-for-trading investments	<b>12,322,825</b>	(2,037,375)
Decrease (increase) in inventories	<b>22,853</b>	(21,347)
Decrease (increase) in trade and other receivables	<b>60,844</b>	(3,288,951)
Decrease (increase) in deposits and prepayment	<b>4,708,085</b>	(5,582,554)
Increase in amounts due to directors	<b>370,000</b>	–
Decrease in amounts due from related companies	<b>51,773</b>	99,999
Increase (decrease) in trade and other payables	<b>994,681</b>	(864,489)
Increase in deposits received	<b>1,654,205</b>	1,036,363
Decrease in amounts due to associates	<b>(1,312,336)</b>	(5,079,368)
Increase in amounts due to related companies	<b>102,786</b>	40,584
<b>CASH USED IN OPERATIONS AND NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(11,040,477)</b>	(22,619,924)

## Consolidated Cash Flow Statement

For the Year ended 31st March, 2009

	2009 HK\$	2008 HK\$
<b>INVESTING ACTIVITIES</b>		
Dividend received from an associate	3,000,000	7,800,000
Dividends received from investments	400,700	146,641
Interest received	246,890	1,469,011
Proceeds on disposal of investment properties	–	10,229,015
Proceeds on disposal of property, plant and equipment	–	93,978
Decrease (increase) in pledged bank deposits	278,625	(86,214)
Acquisition of property, plant and equipment	(4,007,549)	(3,592,269)
Increase in deposits paid for acquisition of properties	(4,844,170)	–
Acquisition of paintings	(1,608,650)	(3,373,523)
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(6,534,154)</b>	<b>12,686,639</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid on bank and other borrowings	(2,254,762)	(4,155,247)
Interest paid on finance leases	–	(64,338)
Repayment of obligations under finance leases	–	(1,060,209)
New bank and other borrowings raised	3,500,000	5,000,000
Repayment of bank and other borrowings	(5,208,895)	(10,065,817)
Advance from (repayment of) a minority shareholder	1,626,077	(494,806)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,337,580)</b>	<b>(10,840,417)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(19,912,211)</b>	<b>(20,773,702)</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>19,457,028</b>	<b>40,230,730</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD,</b>	<b>(455,183)</b>	<b>19,457,028</b>
represented by		
Bank balances and cash	2,040,796	19,457,028
Bank overdrafts	(2,495,979)	–
	<b>(455,183)</b>	<b>19,457,028</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 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 17 and 18, respectively.

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

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

In the current year, the Group and the Company have applied the following amendments and interpretations (new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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



# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 3. 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, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>7</sup>
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>5</sup> Effective for annual periods ending on or after 30th June, 2009

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>7</sup> Effective for annual periods beginning on or after 1st October, 2008

<sup>8</sup> Effective for transfers on or after 1st July, 2009

The adoption of HKAS 1 results in changes in the presentation of primary financial statements. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipated that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

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

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

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

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

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

### Revenue recognition

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

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

Rental income under operating leases is recognised in 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 have been established.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Revenue recognition - continued

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

### Property, plant and equipment

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

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

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

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

### Paintings

Paintings are stated at cost less any identified impairment loss.

### Investment properties

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

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

Leasehold land held for a currently undetermined future use is regarded as held for capital appreciation purpose 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.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Investment properties - continued

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.

### 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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

The Group discontinues the use of equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the HKAS39 from that date, provided the associate does not become a subsidiary or joint venture.

The carrying amount of the investment at date of that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset (see accounting policy on available-for-sale financial assets below).

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Owner-occupied leasehold interest in land

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

### 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.

### Provision

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. 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 except for certain available-for-sale investments, which are measured at the carrying amount at the time the Group ceased to have significant influence. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets are classified into financial assets at fair value through profits or loss ("FVTPL"), available-for-sale 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 on initial recognition.

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

### Financial assets at fair value through profit or loss

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

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

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 on the financial assets.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. 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 FVTPL or loans and receivables. 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 financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

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 (see accounting policy on impairment loss on financial assets below)

##### *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.

##### *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.

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

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial instruments - continued

#### *Financial assets - continued*

##### *Impairment of financial assets - continued*

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

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

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

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

For 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.



# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial instruments - continued

#### *Financial liabilities and equity*

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

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

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities at fair value through profit or loss*

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

A financial liability is classified as held for trading if:

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

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 directors, amounts due to associates and related companies and a minority shareholder, bank borrowings and bank overdrafts) 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, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial instruments - continued

#### *Financial guarantee contracts*

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

#### *Derecognition*

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

#### **Share-based payment transactions**

Share options granted to employees after 7th November 2002 and vested on or after 1st January 2005

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

At each balance sheet date, for share options, which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Share-based payment transactions - continued

*Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005*

The financial impact of share options granted is not recorded in the consolidated financial statements 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. 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.

### 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*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 retranslation 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.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Borrowing costs

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.

The long service payments liabilities, being the defined benefit retirement benefit scheme, is determined using the projected unit credit method at each balance sheet date. The cost of providing long service payments liabilities is recognised to the income statement on a straight-line basis over the services lives of the employees. The amount recognised in the balance sheet represents the present value of the defined benefit obligation.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 5. 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, is discussed below:

### Income taxes

As at 31st March, 2009, a deferred tax asset of HK\$21,353,000 (2008: HK\$20,470,000) in relation to unused tax losses has been recognised in the consolidated balance sheet. No deferred tax asset has been recognised in respect of tax losses of HK\$141,800,000 and HK\$119,273,000 as at 31st March, 2009 and 2008, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition or reversal takes place.

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into three operating divisions-hotel operation, property letting and securities investment and trading. 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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Segment information about these businesses is presented below.

2009

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Consolidated HK\$
<b>Revenue</b>	16,704,565	12,434,218	–	29,138,783
<b>RESULTS</b>				
Segment profit (loss)	32,943	(45,562,076)	(21,318,076)	(66,847,209)
Bank interest income				73,134
Unallocated other income				817,506
Unallocated corporate expenses				(15,523,648)
Finance costs				(2,254,762)
Share of results of associates				390,607
Loss before taxation				(83,344,372)
Taxation				5,350,690
Loss for the year				(77,993,682)
<b>ASSETS</b>				
Segment assets	31,791,068	158,456,171	170,740,938	360,988,177
Interests in associates				1,926,387
Unallocated assets				34,846,200
Consolidated total assets				397,760,764
<b>LIABILITIES</b>				
Segment liabilities	2,487,863	14,341,865	640,425	17,470,153
Bank borrowings				81,463,218
Bank overdrafts				2,495,979
Deferred taxation				6,391,062
Unallocated liabilities				3,705,739
Consolidated total liabilities				111,526,151

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

### Business segments - continued

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Unallocated HK\$	Consolidated HK\$
<b>OTHER INFORMATION</b>					
Capital additions	64,590	3,904,806	38,153	-	4,007,549
Depreciation	3,106,006	4,540,359	-	1,682,983	9,329,348
Impairment loss on paintings	-	-	-	1,182,173	1,182,173
Provision for onerous contracts	-	3,706,000	-	-	3,706,000
Release of prepaid lease payments	28,016	-	-	-	28,016
Loss on disposal of property, plant and equipment	2,287	36,493	-	12,915	51,695
Decrease in fair value of investment properties	-	38,992,202	-	-	38,992,202
Decrease in fair value of held- for-trading investments	-	-	21,675,986	-	21,675,986

### 2008

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Consolidated HK\$
<b>Revenue</b>	16,558,252	10,488,655	-	27,046,907
<b>RESULTS</b>				
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
<b>ASSETS</b>				
Segment assets	35,339,689	198,332,729	187,254,652	420,927,070
Interests in associates				4,535,780
Unallocated assets				48,260,974
Consolidated total assets				473,723,824
<b>LIABILITIES</b>				
Segment liabilities	2,387,533	6,657,858	756,311	9,801,702
Bank borrowings				83,172,113
Deferred taxation				11,741,752
Unallocated liabilities				4,189,987
Consolidated total liabilities				108,905,554

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

### Business segments - continued

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Unallocated HK\$	Consolidated HK\$
<b>OTHER INFORMATION</b>					
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	–	133,653	162,473
Increase in fair value of investment properties	–	27,249,807	–	–	27,249,807
Increase in fair value of held-for-trading investments	–	–	3,175,850	–	<u>3,175,850</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:

	2009 HK\$	2008 HK\$
Hong Kong	<b>18,374,984</b>	17,096,833
Other regions in the PRC	<b>10,763,799</b>	9,950,074
	<b><u>29,138,783</u></b>	<u>27,046,907</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Hong Kong	<b>307,227,261</b>	366,876,210	<b>102,744</b>	2,330,357
Other regions in the PRC	<b>53,760,916</b>	54,050,860	<b>3,904,805</b>	1,603,148
	<b><u>360,988,177</u></b>	<u>420,927,070</u>	<b><u>4,007,549</u></b>	<u>3,933,505</u>



## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 7. FINANCE COSTS

	2009 HK\$	2008 HK\$
Interest on bank borrowings:		
Wholly repayable within five years	918,050	189,151
Not wholly repayable within five years	1,336,712	3,966,096
Interest on finance leases	–	64,338
	<b>2,254,762</b>	<b>4,219,585</b>

### 8. (LOSS) PROFIT BEFORE TAXATION

	2009 HK\$	2008 HK\$
(Loss) profit before taxation has been arrived at after charging:		
Depreciation	9,329,348	9,763,070
Allowance for doubtful debts	–	251,845
Impairment loss on paintings (note 14)	1,182,173	–
Provision for onerous contracts (note 24)	3,706,000	–
Release of prepaid lease payments	28,016	28,016
Auditor's remuneration		
Current year	730,000	607,466
Underprovision prior years	177,266	150,000
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK\$426,518 (2008: HK\$381,845)	7,315,864	6,733,605
Loss on disposal of property, plant and equipment	51,695	162,473
Operating lease rentals in respect of buildings	5,945,614	4,528,865
Share of taxation of associates (included in share of results of associates)	52,580	107,623
and after crediting:		
Bank interest income	73,134	1,155,860
Exchange gain, net	1,112,494	2,015,577
Other interest income	173,756	313,151

Property rental income, net of:-

Outgoing from properties that generated rental income during the year of HK\$5,802,826 (2008: HK\$5,028,562).

Outgoing from properties that did not generate rental income during the year of HK\$495,589 (2008: HK\$1,125,624).

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2008: 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 1)	Total HK\$
<b>2009</b>					
Mr. Deacon Te Ken Chiu	20,000	-	-	-	20,000
Mr. Derek Chiu	10,000	1,077,793	12,000	500,000	1,599,793
Mr. Desmond Chiu	8,876	12,321	610	-	21,807
Ms. Margaret Chiu	10,000	176,752	12,000	-	198,752
Madam Chiu Ju Ching Lan	10,000	360,000	-	-	370,000
Mr. Dick Tat Sang Chiu	10,000	-	-	-	10,000
Mr. David Chiu	10,000	-	-	-	10,000
Mr. Dennis Chiu	10,000	-	-	-	10,000
Mr. Duncan Chiu	10,000	150,000	7,500	-	167,500
Mr. Ip Shing Hing	120,000	-	-	-	120,000
Mr. Ng Wing Hang	120,000	-	-	-	120,000
Mr. Choy Wai Shek	120,000	-	-	-	120,000
Mr. Chan Chi Hing (Note 2)	10,000	-	-	-	10,000
Mr. Tang Sung Ki (Note 2)	8,876	434,571	10,643	-	454,090
	<b>477,752</b>	<b>2,211,437</b>	<b>42,753</b>	<b>500,000</b>	<b>3,231,942</b>
<b>2008</b>					
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 (Note 2)	10,000	-	-	-	10,000
Mr. Tang Sung Ki (Note 2)	10,000	477,824	12,000	-	499,824
	<b>480,000</b>	<b>2,048,527</b>	<b>45,000</b>	<b>400,000</b>	<b>2,973,527</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 9. DIRECTORS' EMOLUMENTS - continued

Notes:

1. The performance related bonus payable to the executive directors is determined based on the performance of the individual directors.
2. Mr. Chan Chi Hing and Mr. Tang Sung Ki (resigned on 18th February, 2009) are alternate directors who are alternate to Mr. Deacon Te Ken Chiu and Mr. Desmond Chiu (resigned on 18th February, 2009), respectively.

Included in the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK\$596,400 (2008: HK\$541,800).

No directors waived any emoluments in the year ended 31st March, 2009 and 2008.

During the year ended 31st March, 2009 and 2008, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors whose emoluments are disclosed above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 HK\$	2008 HK\$
Salaries and other benefits	723,307	696,345
Retirement benefit schemes contributions	24,000	24,000
	<b>747,307</b>	<b>720,345</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 11. TAXATION

Taxation represents the deferred taxation credit (2008: deferred taxation charge) for the year.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit 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. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the People's Republic of China ("PRC") were reduced from 33% to 25% from 1 January 2008 onwards. No provision for PRC Enterprise income tax as there is no assessable profit for both years for the subsidiary operated in PRC.

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

	2009 HK\$	2008 HK\$
(Loss) profit before taxation	<b>(83,344,372)</b>	7,605,689
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	<b>(13,751,821)</b>	1,330,996
Tax effect of share of results of associates	<b>(64,450)</b>	(96,347)
Tax effect of expenses not deductible for tax purposes	<b>3,475,366</b>	425,670
Tax effect of income not taxable for tax purposes	<b>(59,431)</b>	(243,352)
Tax effect of tax losses not recognised	<b>3,862,680</b>	4,143,601
Tax effect of utilisation of tax losses previously not recognised	<b>(145,432)</b>	(1,157,134)
Tax effect of deductible temporary differences not recognised	<b>2,156,945</b>	–
Decrease in opening deferred tax liability resulting from an decrease in applicable tax rate	<b>(670,957)</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(302,057)</b>	(146,519)
Others	<b>148,467</b>	(434,586)
Taxation for the year	<b>(5,350,690)</b>	3,822,329

Details of deferred taxation are set out in note 35.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 12. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year of HK\$77,993,682 (2008: profit of HK\$3,783,360) and 488,842,675 (2008: 488,842,675) ordinary shares in issue during the year.

No diluted loss per share for the current year is presented as there was no potential dilutive ordinary shares subsisted during the year. No diluted earnings per share was presented for prior year as the exercise of the potential dilutive ordinary shares would result in an increase in earnings per share.

## 13. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY	
	Leasehold land and buildings in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Furniture, fixtures, equipment, in motor vehicles and others HK\$	Leasehold improvements HK\$	Total HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$
COST							
At 1st April, 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
Exchange adjustments	-	1,107,865	-	211,487	-	1,319,352	-
Additions	-	-	-	269,165	3,738,384	4,007,549	38,153
Disposals	-	-	-	(379,971)	-	(379,971)	(27,524)
At 31st March, 2009	19,846,984	91,347,318	37,323,408	37,198,125	8,008,905	193,724,740	2,323,630
DEPRECIATION AND IMPAIRMENT							
At 1st April, 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
Exchange adjustments	-	515,931	-	172,786	-	688,717	-
Provided for the year	454,895	3,811,722	746,472	3,385,158	931,101	9,329,348	231,104
Eliminated on disposals	-	-	-	(328,276)	-	(328,276)	(14,608)
At 31st March, 2009	2,333,543	44,607,135	19,159,360	23,205,945	2,790,134	92,096,117	827,465
CARRYING VALUES							
At 31st March, 2009	17,513,441	46,740,183	18,164,048	13,992,180	5,218,771	101,628,623	1,496,165
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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 13. 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) The properties located in Hong Kong with a carrying value HK\$35,677,489 (2008: HK\$36,878,856) and the PRC with a carrying value HK\$46,740,183 (2008: HK\$49,959,971) are held under medium-term leases.

## 14. PAINTINGS

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Cost				
At 1st April	<b>3,373,523</b>	–	<b>3,373,523</b>	–
Additions	<b>1,608,650</b>	3,373,523	<b>1,608,650</b>	3,373,523
Impairment loss recognised	<b>(1,182,173)</b>	–	<b>(1,182,173)</b>	–
At 31st March	<b>3,800,000</b>	3,373,523	<b>3,800,000</b>	3,373,523

The directors of the Company have reviewed the carrying amount of the paintings as at 31st March, 2009, and recognised an impairment loss of HK\$1,182,173 (2008: Nil). The impairment was assessed by the directors of the Company with reference to the open market values on those paintings.

## 15. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT FAIR VALUE	
At 1st April, 2007	125,024,535
Disposals	(9,260,000)
Increase in fair value recognised in consolidated income statement	27,249,807
At 31st March, 2008	143,014,342
Decrease in fair value recognised in consolidated income statement	(38,992,202)
At 31st March, 2009	<b>104,022,140</b>

Certain investment properties with a carrying value of HK\$32,401,000 (2008: HK\$43,474,000) 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.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 15. INVESTMENT PROPERTIES - continued

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, 2009 and 2008 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 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, 2009, the carrying amount of such property interests amounted to HK\$104,022,140 (2008: HK\$143,014,342).

## 16. PREPAID LEASE PAYMENTS

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

	THE GROUP	
	2009 HK\$	2008 HK\$
Non-current assets	1,001,448	1,029,464
Current assets	28,016	28,016
	<b>1,029,464</b>	<b>1,057,480</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009 HK\$	2008 HK\$
Unlisted shares, at cost	92,519,195	89,209,222
Less: Impairment loss recognised	(15,150,494)	(11,419,494)
	<b>77,368,701</b>	<b>77,789,728</b>

Cost of investments in subsidiaries includes an amounts of HK\$3,309,973 (2008: Nil) which represents fair value adjustment on non-current interest free loans advanced to the subsidiaries.

Particulars of the subsidiaries of the Company at 31st March, 2009 and 2008 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		
		2009 %	2008 %	2009 %	2008 %	
Alabama Investment Company Limited	HK\$9,000 Ordinary shares	97.8	97.8	-	-	Hotel operation
Anway Century Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Bright Oriental International Limited *	HK\$1 Ordinary share	100	-	-	-	Property investment
Bright Unit Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Brighten Heart Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Cankon Properties Limited	HK\$2 Ordinary shares	100	100	-	-	Property investment
Charm Empire International Limited *	HK\$1 Ordinary share	100	-	-	-	Property investment
Far East Communication Technology Limited	HK\$2 Ordinary shares	100	100	-	-	Investment holding
Faubert Investment Limited **	HK\$2 Ordinary shares	-	100	-	-	Inactive



# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 17. INVESTMENTS IN SUBSIDIARIES - continued

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2009 %	2008 %	2009 %	2008 %	
Gaingrace Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Garmelo Secretarial Limited	HK\$2 Ordinary shares	100	100	-	-	Provision of company secretarial services
Grand Sparkle Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Jeanstar Limited	HK\$1 Ordinary share	100	100	-	-	Property investment
Jenago Limited	HK\$2 Ordinary shares	100	100	-	-	Inactive
Kingwell Century Limited	HK\$2 Ordinary shares	100	100	-	-	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK\$25,200,000 Ordinary shares	100	100	-	-	Property investment
Long Challenge Limited	HK\$10,000 Ordinary shares	100	100	-	-	Investment holding
Mainstar International Limited	HK\$1 Ordinary shares	100	100	-	-	Property investment
Neochem Development Limited	HK\$100 Ordinary shares	100	100	-	-	Property sub-letting
Ongrade Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Rex Entertainment Limited	HK\$100,000 Ordinary shares	100	100	-	-	Property investment
Saneworld Limited	HK\$1 Ordinary share	100	100	-	-	Inactive
Sintex Holdings Limited	US\$1 Ordinary share	100	100	-	-	Investment holding

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 17. INVESTMENTS IN SUBSIDIARIES - continued

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company				Principal activities
		Directly		Indirectly		
		2009 %	2008 %	2009 %	2008 %	
Superlight Limited	HK\$2 Ordinary shares	100	100	-	-	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	-	-	90	90	Property investment and service apartments operation
Chartersend Limited	HK\$2 Ordinary shares	-	-	100	100	Inactive
Far East Global Entertainment Limited	HK\$2 Ordinary shares	-	-	100	100	Property sub-letting
Jones Town Limited	HK\$2 Ordinary shares	-	-	100	100	Inactive
Oneyon Limited	HK\$2 Ordinary shares	-	-	100	100	Investment holding
Tradeland Investments Limited	HK\$250,000 Ordinary shares	-	-	100	100	Investment holding
Yuk Sue Investment Limited	HK\$2 Ordinary shares	-	-	100	100	Securities trading and investment

\* Companies newly incorporated during the year

\*\* Company deregistered during the year

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

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, 2009

## 18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Unlisted shares, at cost	212,578,512	212,578,514	212,578,510	212,578,512
Share of post-acquisition reserves, net of dividends received	(210,652,125)	(208,042,734)	–	–
Impairment loss recognised	–	–	(212,578,509)	(212,578,509)
	<b>1,926,387</b>	4,535,780	<b>1</b>	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 audited financial statements of associate for the year are as follows:

	Year ended 31st March,	
	2009 HK\$	2008 HK\$
Unrecognised share of (loss) profit of an associate for the year	(6,711,067)	3,227,852
Accumulated unrecognised share of loss of an associate	(32,841,372)	(26,130,305)

Particulars of the associates of the Group at 31st March, 2009 and 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
			2009	2008	
			%	%	
Bestyard Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property sub-letting
Bolan Holdings N.V.	Netherlands Antilles/ Australia	US\$100 Common shares US\$6,000 Non-cumulative 5% preference shares	45	45	Investment holding

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 18. INTERESTS IN ASSOCIATES - continued

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Group		Principal activities
			2009 %	2008 %	
Central More Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property development
Nob Hill Management Limited	Hong Kong	HK\$2 Ordinary shares	50	50	Property management
Polyspring Limited *	Hong Kong	HK\$4 Ordinary shares	-	50	Inactive

\* During the year, Polyspring Limited, an associate of the Group had been deregistered.

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

### Results

	Year ended 31st March,	
	2009 HK\$	2008 HK\$
Revenue	6,013,684	5,485,389
(Loss) profit for the year	(14,132,270)	8,274,109
Group's share of results of associates for the year	390,607	550,552

### Financial position

	At 31st March,	
	2009 HK\$	2008 HK\$
Total assets	59,803,153	65,870,703
Total liabilities	(68,439,341)	(69,895,578)
Net liabilities	(8,636,188)	(4,024,875)
Group's share of net assets of associates	1,926,387	4,535,780

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009 HK\$	2008 HK\$ (restated)
Unlisted equity securities overseas, at cost	<b>159,188,314</b>	159,188,314

	THE COMPANY	
	2009 HK\$	2008 HK\$
Unlisted equity securities overseas, at cost	<b>157,026,351</b>	157,026,351

The unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As set out in note 1 to the consolidated statement of changes in equity, the capital reserve was adjusted against the carrying amount of the Group's available-for-sale investments.

Particulars of the available-for-sale investments at 31st March, 2009 and 2008 are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group		Place of incorporation	Principal activities
	2009 %	2008 %		
Warwick Holdings S.A. ("Warwick")	<b>16.09</b>	16.09	Luxemburg	Investment holding, hotel investment and operation

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 20. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2009 HK\$	2008 HK\$
Equity securities listed in Hong Kong, at fair value	10,123,070	16,472,395
Warrants listed in Hong Kong, at fair value	72,000	6,045,500
	<b>10,195,070</b>	<b>22,517,895</b>

	THE COMPANY	
	2009 HK\$	2008 HK\$
Equity securities listed in Hong Kong, at fair value	158,000	590,000

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\$299,982 (2008: HK\$296,924) are stated at net realisable value.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 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	
	2009 HK\$	2008 HK\$
0-30 days	3,398,878	3,409,065
31-60 days	–	53,974
Over 60 days	519,612	516,295
Trade and other receivables	3,918,490	3,979,334
Less: allowance for doubtful debts	(510,545)	(510,545)
	<b>3,407,945</b>	<b>3,468,789</b>

In current year, included in other receivables of the Group and the Company were amounts of HK\$3,029,000 (2008: HK\$3,196,000) which bear interests. HK\$29,000 (2008: HK\$124,000) is at fixed interest rate of 8% (2008: 5%) per annum and expose the Group and the Company to fair value interest rate risk. The remaining amounts bear floating interest rate at Hong Kong Dollar Prime Rate ranging from 5% to 5.25% (2008: Hong Kong Dollar Prime Rate ranging from 5.25% to 7%) per annum.

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. 100% (2008: 98%) of the trade receivables are neither past due nor impaired. As there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$9,067 (2008: HK\$59,724) 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

	THE GROUP	
	2009 HK\$	2008 HK\$
Overdue by 1-30 days	–	53,974
Overdue by over 30 days	9,067	5,750
Total	<b>9,067</b>	<b>59,724</b>

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 22. TRADE AND OTHER RECEIVABLES - continued

#### Movement in the allowance for doubtful debts

	2009 HK\$	2008 HK\$
Balance at beginning of the year	510,545	3,481,040
Allowance for doubtful debts	-	251,845
Amounts written off as uncollectible	-	(3,222,340)
Balance at end of the year	<b>510,545</b>	510,545

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

### 23. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2009 HK\$	2008 HK\$
Amounts due from subsidiaries	324,937,760	322,355,042
Less: Allowance for doubtful debts	<b>(170,213,752)</b>	<b>(152,825,752)</b>
	<b>154,724,008</b>	169,529,290
Less: Amount due within one year shown under current assets	<b>(18,413,793)</b>	<b>(169,529,290)</b>
	<b>136,310,215</b>	-
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	<b>152,825,752</b>	143,325,752
Allowance for doubtful debts	<b>17,388,000</b>	9,500,000
Balance at end of the year	<b>170,213,752</b>	152,825,752

During the year, the Directors reviewed the carrying value of the amounts due from subsidiaries. The recoverable amount of the amounts due from subsidiaries is estimated by directors based on the expected future cash flows generated from the Company's operation of these subsidiaries. An allowance for doubtful debts of HK\$17,388,000 (2008: HK\$9,500,000) was charged to the Company's income statement.



## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 23. AMOUNTS DUE FROM SUBSIDIARIES - continued

At 31st March, 2008, except for the principal amount of HK\$104,287,297, which bear interest ranging from Hong Kong Dollar Prime Rate minus 4% to Hong Kong Dollar Prime Rate plus 2% per annum (effective interest rate is ranging from 2.87% to 8.64% per annum), the remaining principal amount of HK\$218,067,745 is interest-free. The directors of the Company expected that the amounts due from subsidiaries would be settled within one year from the balance sheet date as it was planned that certain subsidiaries will obtain fundings to settle the outstanding amounts within one year. Accordingly, the amounts due from subsidiaries were classified under current asset. As at 31st March, 2009, the directors reassessed the expected repayment date of amounts due from subsidiaries. The Company considered that HK\$136,310,215 will not be expected for repayment within next twelve months from the balance sheet date. Accordingly, these amounts were reclassified to non-current assets and a fair value adjustment of HK\$3,309,973, determined based on an effective interest rate of 3% per annum as at 31st March, 2009, has been included in the investments in subsidiaries as deemed contribution to the subsidiaries.

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

The amounts due from subsidiaries are unsecured.

### 24. DEPOSITS FOR ACQUISITION OF PROPERTIES AND PROVISION FOR ONEROUS CONTRACTS

	THE GROUP	
	2009 HK\$	2008 HK\$
Deposits for acquisition of properties	4,844,170	–
Provision for onerous contracts	(3,706,000)	–

During the year, the Group has entered into contracts with independent third parties to acquire properties at aggregate purchase price of HK\$32,229,000. At 31st March, 2009, HK\$4,844,170 has been paid and recorded as deposits for acquisition of properties in the consolidated balance sheet. Subsequent to the balance sheet date, the underlying properties have been sold to independent third parties at HK\$28,523,000 (net of associated transaction costs) where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. Accordingly, a provision for onerous contracts was recognised in the consolidated income statement.

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 25. AMOUNTS DUE FROM/TO ASSOCIATES

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

### 26. AMOUNTS DUE FROM/TO RELATED COMPANIES

#### 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 at 31.3.2009 HK\$	Balance at 1.4.2008 HK\$	Maximum amount outstanding during the year HK\$	Balance at 31.3.2009 HK\$	Balance at 1.4.2008 HK\$	Maximum amount outstanding during the year HK\$
Far East Holdings International Limited	Deacon Te Ken Chiu	420,716	420,716	420,716	420,716	420,716	420,716
	David Chiu						
	Margaret Chiu						
	Dennis Chiu						
	Derek Chiu						
	Desmond Chiu						
Tang Dynasty City Pte. Ltd.	Duncan Chiu						
	Deacon Te Ken Chiu	-	51,773	51,773	-	-	-
	Dennis Chiu						
	Derek Chiu						
	Margaret Chiu						
	Duncan Chiu (Alternate to Deacon Te Ken Chiu)						
		420,716	472,489		420,716	420,716	

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

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 26. AMOUNTS DUE FROM/TO RELATED COMPANIES - continued

#### 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	67,863	26,114	67,863	26,114
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
Far East Theatres Management Limited	Deacon Te Ken Chiu Chiu Ju Ching Lan Dick Tat Sang Chiu David Chiu	247,329	186,292	247,329	186,291
		<b>315,192</b>	<b>212,406</b>	<b>315,192</b>	<b>544,348</b>

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

### 27. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

The pledged bank deposits carry interest at the prevailing market interest rates ranging from 0.15% to 3.25% (2008: 1.40% to 4.13%) per annum and represent deposits pledged to a bank to secure banking facilities granted to the Group and the Company.

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 0.05% (2008: 0.85% to 5.0%) per annum.

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 28. TRADE AND OTHER PAYABLES

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

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
0-30 days	495,384	974,698	–	–
31-60 days	449,781	125,830	–	–
Over 60 days	3,065,808	1,596,711	–	–
Trade payables	4,010,973	2,697,239	–	–
Other payables	3,294,323	3,613,376	1,341,686	1,005,516
	<b>7,305,296</b>	<b>6,310,615</b>	<b>1,341,686</b>	<b>1,005,516</b>

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.

### 29. AMOUNTS DUE TO SUBSIDIARIES

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

### 30. AMOUNTS DUE TO DIRECTORS

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

### 31. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 32. BANK BORROWINGS AND BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Bank borrowings comprise:				
Mortgage loans	51,503,218	53,472,113	–	–
Bank loans	29,960,000	29,700,000	29,960,000	29,700,000
	<b>81,463,218</b>	83,172,113	<b>29,960,000</b>	29,700,000
Secured	77,963,218	83,172,113	26,460,000	29,700,000
Unsecured	3,500,000	–	3,500,000	–
	<b>81,463,218</b>	83,172,113	<b>29,960,000</b>	29,700,000
The above borrowings are repayable as follows:				
Within one year	9,064,231	5,195,638	6,740,000	3,240,000
More than one year, but not exceeding two years	5,674,011	5,525,353	3,240,000	3,240,000
More than two years, but not exceeding five years	20,113,479	22,017,290	8,220,000	9,220,000
More than five years	46,611,497	50,433,832	11,760,000	14,000,000
	<b>81,463,218</b>	83,172,113	<b>29,960,000</b>	29,700,000
Less: Amount due within one year shown under current liabilities	(9,064,231)	(5,195,638)	(6,740,000)	(3,240,000)
Amount due after one year	<b>72,398,987</b>	77,976,475	<b>23,220,000</b>	26,460,000

The bank borrowings carry floating-rate interest based on the bank's prime rate and the effective rates ranged from 1.30% to 5.80% (2008: 2.95% to 6.62%) per annum.

Bank overdrafts carry interest at market rates which ranges from 1.25% to 4.25% per annum.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 33. SHARE CAPITAL

	Number of shares		Share capital	
	2009	2008	2009 HK\$	2008 HK\$
Authorised:				
At 1st April, 2008	750,000,000	750,000,000	75,000,000	75,000,000
Capital reduction	-	-	-	(675,000,000)
At 31st March, 2009	750,000,000	750,000,000	75,000,000	75,000,000
Issued and fully paid:				
At 1st April, 2008	488,842,675	488,842,675	48,884,268	488,842,675
Capital reduction	-	-	-	(439,958,407)
At 31st March, 2009	488,842,675	488,842,675	48,884,268	48,884,268

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

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

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 33. SHARE CAPITAL - continued

- (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.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 34. RESERVES

	<b>Total</b> HK\$
<b>THE COMPANY</b>	
At 1st April, 2007	(89,434,166)
Capital reduction (Note 33)	439,958,407
Loss for the year	<u>(5,958,124)</u>
At 31st March, 2008	344,566,117
Loss for the year	<u>(28,776,650)</u>
At 31st March, 2009	<u>315,789,467</u>

## 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:

	<b>Accelerated tax depreciation</b> HK\$	<b>Revaluation on investment properties</b> HK\$	<b>Tax losses</b> HK\$	<b>Total</b> HK\$
At 1st April, 2007	9,809,670	514,243	(2,404,490)	7,919,423
Charge (credit) to consolidated income statement	<u>231,569</u>	<u>4,768,716</u>	<u>(1,177,956)</u>	<u>3,822,329</u>
At 31st March, 2008	10,041,239	5,282,959	(3,582,446)	11,741,752
Credit to consolidated income statement	<u>(257,533)</u>	<u>(4,276,768)</u>	<u>(145,432)</u>	<u>(4,679,733)</u>
Effect of change in tax rate	<u>(573,785)</u>	<u>(301,883)</u>	<u>204,711</u>	<u>(670,957)</u>
At 31st March, 2009	<u>9,209,921</u>	<u>704,308</u>	<u>(3,523,167)</u>	<u>6,391,062</u>

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



## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 35. DEFERRED TAXATION - continued

At the balance sheet date, the Group has deductible temporary differences of approximately HK\$13,072,000 (2008: Nil) in respect of revaluation of investment properties. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31st March, 2009, the Group has unused tax losses of approximately HK\$163,153,000 (2008: HK\$139,743,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$21,353,000 (2008: HK\$20,470,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$141,800,000 (2008: HK\$119,273,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$11,515,000 (2008: HK\$9,991,000) which will expire in the following years:

	2009 HK\$	2008 HK\$
2009/2008	4,118,000	4,027,000
2010/2009	4,211,000	4,118,000
2011/2010	1,866,000	1,825,000
2012/2011	21,000	21,000
2013/2012	1,299,000	–
	<b>11,515,000</b>	<b>9,991,000</b>

At 31st March, 2009, the Company has unused tax losses of approximately HK\$87,080,000 (2008: HK\$37,403,000) 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, 2009

### 36. PROVISION FOR LONG SERVICE PAYMENTS

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

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
At beginning and end of the year	<b>2,055,013</b>	2,055,013	<b>1,176,900</b>	1,176,900

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

### 37. MAJOR NON-CASH TRANSACTIONS

For the year ended 31st March, 2008, the Group entered into a finance lease in respect of the acquisition of property, plant and equipment with capital value at the inception of the lease of HK\$341,236.

For the year ended 31st March, 2008, consultancy fee of HK\$5,808,900 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\$86,963,000 (2008: HK\$92,172,000) and HK\$31,460,000 (2008: HK\$33,700,000) respectively, of which approximately HK\$83,959,000 (2008: HK\$83,172,000) and HK\$29,960,000 (2008: HK\$29,700,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Prepaid lease payments	<b>1,029,464</b>	1,057,480	–	–
Property, plant and equipment	<b>46,864,567</b>	51,168,849	–	–
Investment properties	<b>63,860,000</b>	89,900,000	–	–
Bank deposits	<b>2,132,323</b>	2,410,948	<b>2,000,715</b>	2,279,834
	<b>113,886,354</b>	144,537,277	<b>2,000,715</b>	2,279,834

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Guarantee given to banks in respect of banking facilities utilised by subsidiaries	-	-	50,311,699	56,135,179
Guarantee given to banks in respect of banking facilities granted to subsidiaries	-	-	98,750,000	98,750,000

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

## 40. COMMITMENTS

### (a) Operating lease arrangements

#### THE GROUP

##### 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	
	2009 HK\$	2008 HK\$
Within one year	4,844,725	4,656,836
In the second to fifth year inclusive	19,047,619	18,627,342
Over five years	50,000,000	53,553,609
	<b>73,892,344</b>	<b>76,837,787</b>

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 40. COMMITMENTS - continued

### (a) Operating lease arrangements - continued

#### THE GROUP - continued

The Group as lessor:

	THE GROUP	
	2009 HK\$	2008 HK\$
Within one year	2,481,833	3,066,335
In the second to fifth year inclusive	–	277,193
	<b>2,481,833</b>	<b>3,343,528</b>

Property rental income earned during the year was HK\$12,434,218 (2008: HK\$10,488,655). The properties have committed tenants for a term of one to two years.

#### THE COMPANY

The Company has no operating lease commitment at each balance sheet date.

### (b) Capital commitments

	THE GROUP	
	2009 HK\$	2008 HK\$
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	–	66,250

## 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 or HK\$1,000 per month, whichever it is smaller, which contribution is matched by employees.

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 42. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expense amounting to HK\$965,048 (2008: HK\$984,038) to an associate.

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

In addition, a subsidiary entered into a lease agreement with its minority shareholder for the use of land located in the PRC at an annual rental of RMB4,200,000 for a term of twenty-eight years commencing from 1996. During the year, rental expense of HK\$4,761,905 (2008: HK\$4,657,000) was paid to the minority shareholder.

Terms and balances with the related companies are set out in the Group's or Company's balance sheet and notes 23, 25, 26, 29, 30 and 31.

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

### Compensation of key management personnel

The key management personnel of the Group comprises all directors and two (2008: two) highest paid employees, details of their remuneration are disclosed in notes 9 and 10. The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

## 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.

## Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

### 43. SHARE OPTION SCHEME - continued

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

Name of director	Date of grant	Exercise price per share HK\$	Number of shares issued upon exercise of the share options				Exercisable period
			At 1.4.2007	Expired during the year	Cancelled during the year	At 31.3.2008 and 31.3.2009	
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>	

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 associates or any other person who will contribute or have contributed to the Company or any of its subsidiaries. Under the 2007 Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st March, 2008 and 2009, 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.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 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 and bank overdrafts 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 uses 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.

## 45. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

#### THE GROUP

	2009 HK\$	2008 HK\$
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	8,205,342	26,012,816
Held-for-trading investments	10,195,070	22,517,895
Available-for-sale investments	159,188,314	159,188,314
<i>Financial liabilities</i>		
Amortised cost	95,679,737	93,111,445
Financial liabilities at fair value through profit or loss	540,425	497,635

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (a) Categories of financial instruments - continued

#### THE COMPANY

	2009 HK\$	2008 HK\$
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	160,774,197	193,063,124
Held-for-trading investments	158,000	590,000
Available-for-sale investments	157,026,351	157,026,351
<i>Financial liabilities</i>		
Amortised cost	35,263,237	39,394,644

### (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.



# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (i) *Foreign currency risk management*

##### *THE GROUP AND THE COMPANY*

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

The carrying amounts of the subsidiary's foreign currency denominated monetary liabilities at the reporting date are HK\$20,708,000 (2008: HK\$20,708,000).

##### Foreign currency sensitivity analysis

When the functional currency of the group entity (i.e. Renminbi) strengthens 5% (2008: 10%) against the relevant foreign currency (i.e. Hong Kong dollars), the Group's post-tax loss would decrease by HK\$1,035,000 (2008: post-tax profit increased by HK\$2,071,000). Conversely, a 5% (2008: 10%) weakening of Renminbi against Hong Kong dollars would have an equal and opposite impact on the Group's post-tax profit/loss.

The management adjusted the sensitivity rate from 10% to 5% for assessing the foreign currency risk after considering the impact of the volatile financial market considerations after the third quarter of 2008.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (ii) *Interest rate risk management*

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

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

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on other receivables, pledged bank deposits, bank balances, bank overdrafts and bank borrowings at the balance sheet date. The analysis is prepared assuming the amount of these financial instruments outstanding at the balance sheet date is outstanding for the whole year. A 50 basis points (2008: 50 basis points) represents management's assessment of the reasonably possible change in interest rate.

#### *THE GROUP*

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st March, 2009 would increase/decrease by HK\$391,000 (2008: post-tax profit decreased/increased by HK\$301,000). The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate bank overdrafts.

#### *THE COMPANY*

If interest rate had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Company's post-tax loss for the year ended 31st March, 2009 would increase/decrease by HK\$384,000 (2008: HK\$484,000). The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (iii) *Other price risks*

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

#### Other price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. The sensitivity analysis has excluded price risk arising from available-for-sale investments which are measured at cost less impairment as fair value cannot be reliably measured and derivative financial instrument which was insignificant to the Group. If the market price of the held-for-trading investments had been 10% (2008: 10%) higher/lower while all other variables were held constant, post-tax loss of the Group and the Company for the year ended 31st March, 2009 would decrease/increase by HK\$1,020,000 and HK\$16,000 (2008: post-tax profit of the Group increased/decreased and post-tax loss of the Company decreased/increased by HK\$2,252,000 and HK\$59,000) respectively as a result of the changes in fair value of held-for-trading investments.

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

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (iv) *Credit risk management*

As at 31st March 2009, 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 financial guarantee issued by the Company to subsidiaries that can be called upon in entirety as disclosed in note 39.

The Group's and the Company's credit risk is primarily attributable to trade receivables and 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 and other receivables, the Company does not have any other significant concentration of credit risk.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (v) *Liquidity risk management*

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

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

#### *Liquidity and interest risk tables*

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

For derivative instruments settle on gross settlement, there are contractual cash outflows of nil (2008: HK\$1,072,000) to acquire listed equity investments would be paid after setting off by the advance deposit paid by the Group to the counterparty at the time of acquiring the derivative instruments.

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (v) Liquidity risk management - continued

##### 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 HK\$	undiscounted cash flows HK\$	
<b>2009</b>									
<b>Non-derivative instrument</b>									
Non-interest bearing	-	4,415,244	7,305,296	-	-	-	-	11,720,540	11,720,540
Bank borrowings and bank overdrafts at variable rate	2.51	-	9,809,568	3,798,073	7,537,678	24,238,883	56,202,529	101,586,731	83,959,197
		<b>4,415,244</b>	<b>17,114,864</b>	<b>3,798,073</b>	<b>7,537,678</b>	<b>24,238,883</b>	<b>56,202,529</b>	<b>113,307,271</b>	<b>95,679,737</b>

	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 HK\$	undiscounted cash flows HK\$	
<b>2008</b>									
<b>Non-derivative instrument</b>									
Non-interest bearing	-	3,628,718	5,574,708	-	735,906	-	-	9,939,332	9,939,332
Bank borrowings and bank overdrafts 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
		<b>3,628,718</b>	<b>9,024,866</b>	<b>3,865,340</b>	<b>8,419,550</b>	<b>27,722,676</b>	<b>61,760,574</b>	<b>114,421,724</b>	<b>93,111,445</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (v) Liquidity risk management - continued

##### THE COMPANY

	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 HK\$	undiscounted cash flows HK\$	
<b>2009</b>									
<b>Non-derivative instrument</b>									
Non-interest bearing	-	1,465,572	1,341,686	-	-	-	-	2,807,258	2,807,258
Bank borrowings and bank overdrafts at variable rate	3.36	-	7,958,009	1,938,976	3,808,788	9,407,723	12,557,425	35,670,921	32,455,979
		<b>1,465,572</b>	<b>9,299,695</b>	<b>1,938,976</b>	<b>3,808,788</b>	<b>9,407,723</b>	<b>12,557,425</b>	<b>38,478,179</b>	<b>35,263,237</b>

	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 HK\$	undiscounted cash flows HK\$	
<b>2008</b>									
<b>Non-derivative instrument</b>									
Non-interest bearing	-	8,689,128	1,005,516	-	-	-	-	9,694,644	9,694,644
Bank borrowings and bank overdrafts 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
		<b>8,689,128</b>	<b>2,954,102</b>	<b>2,019,205</b>	<b>3,963,255</b>	<b>11,290,980</b>	<b>14,734,112</b>	<b>43,650,782</b>	<b>39,394,644</b>

# Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2009

## 45. FINANCIAL INSTRUMENTS - continued

### (b) Financial risk management objectives and policies - continued

#### (vi) *Fair value of financial instruments*

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of financial liabilities at fair value through profit or loss are determined in accordance with generally accepted pricing models based on data obtained in current market; 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 financial statements approximate to their fair values.

## 46. POST BALANCE SHEET EVENT

On 29th June, 2009, a subsidiary of the Group entered into a provisional sale and purchase agreement with a purchaser to dispose of one of its investment properties at a consideration of HK\$27,380,000, which will result in an increase in fair value of approximately HK\$4,900,000 for the year ending 31 March 2010.

During the year, the Group has entered into contracts with independent third parties to acquire properties at aggregate purchase price of HK\$32,229,000. Subsequent to the balance sheet date, the underlying properties have been sold to independent third parties at HK\$28,523,000 (net with associated transaction costs). Accordingly, a provision for onerous contracts of HK\$3,706,000 was recognised in the consolidated income statement for the year ended 31 March 2009, which represented the difference between the sales proceeds and the unavoidable costs of meeting the obligations under the contracts.



## List of Properties held by the Group

As at 31st March, 2009

Location	Approximate gross floor area/site areas* (square feet)	Group's interest	Purpose	Term of lease
<b>Leasehold land and buildings</b>				
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
<b>Hotel property</b>				
East Bay, Cheung Chau, New Territories 8443/9000 parts or shares of and in C.C.L. 1147	27,000*	97.8%	Hotel	Medium
<b>Investment properties</b>				
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, 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, 2009

### RESULTS

	For the year ended 31st March,				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	2008 HK\$'000	
Revenue	22,440	20,323	20,357	27,047	<b>29,139</b>
(Loss) profit before taxation	3,602	(70,511)	(49,030)	7,606	<b>(83,344)</b>
Taxation	(112)	–	(400)	(3,823)	<b>5,351</b>
(Loss) profit for the year attributable to equity holders of the Company	3,490	(70,511)	(49,430)	3,783	<b>(77,993)</b>

### ASSETS AND LIABILITIES

	At 31st March,				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	2008 HK\$'000	
Total assets	539,901	504,102	500,284	473,723	<b>397,761</b>
Total liabilities	(74,087)	(69,365)	(115,732)	(108,905)	<b>(111,526)</b>
Equity attributable to equity holders of the Company	465,814	434,737	384,552	364,818	<b>286,235</b>

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.