



Far East Hotels and Entertainment Limited

Stock Code : 37



2009 Interim Report

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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

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

OVERALL RESULTS

For the six months ended 30 September 2009, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net profit attributable to shareholders of HK\$2,829,364 (30/09/2008: net loss of HK\$25,978,394).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2009 (2008: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

In 2009, most types of business are affected by the worldwide economic crisis, such as hotels and restaurants of the service sector. According to worldwide economists' prediction, many businesses will start recovering in the coming years. The overall turnover of Cheung Chau Warwick Hotel has decreased by 6% compared with last corresponding period. In 2010, our Sales and Marketing Team will focus more on meeting and conference groups, both local and overseas. In addition, they will also try to extend China market as well as keeping our existing local clientele through advertisings and seasonal promotions. Sales Team will explore more markets besides the regular clients that we are currently having. Joint venture with other brands or obtaining sponsor from other companies to gain more publicity and profits will be another thought. The Food & Beverages Department will also be benefited if the above targets can be reached, that means the list of clientele will be expanded and added to our steady weddings and banquet business from Cheung Chau Island.

The turnover of Beijing Warwick Suite Hotel has decreased by 7% compared with last corresponding period. However, the management believes that the turnover will increase after the 60th anniversary of National Day of the People's Republic of China. The Sales Team will put more emphasis on both local and overseas short-term business clients and tours, and more preferential price will be offered.

In securities investment and trading, the Group has recorded a profit of approximately HK\$5 million.

In July 2009, the Group disposed of an investment property and recognized a gain of approximately HK\$4.8 million.

SUBSEQUENT EVENT

In October 2009, the Company entered into a Joint Venture Agreement (the "Agreement") with Mr. Derek Chiu, a director of the Company, for the formation of a Joint Venture Company (the "JV Company") which is owned by the Company as to 50% and by Mr. Derek Chiu as to 50%. Pursuant to the Agreement, the JV Company will hold and develop the property located in Yuen Long, New Territories to be acquired by the JV Company from Mr. Derek Chiu. The Company shall pay in aggregate HK\$8,650,000 to the JV Company for the subscription for 50 new Shares (at the subscription price of HK\$1.00 per Share) and the making of a HK\$8,649,950 shareholder's loan to the JV Company. Capital provided and to be provided to the JV Company under the Agreement will be used to pay for the acquisition of the property. The formation of the JV Company can increase the land portfolio of the Group and enable the Group to have adequate land reserve for future development. Details are disclosed in the announcement dated 16 October 2009.

EMPLOYEES

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

FINANCE ACTIVITIES

At 30/09/2009, the Group had bank credit facilities amounting to approximately HK\$67,774,000 (31/03/2009: HK\$86,963,000), of which approximately HK\$62,274,000 (31/03/2009: HK\$83,959,000) were utilised. These facilities, other than HK\$3,500,000 (31/03/2009: HK\$3,500,000) which was unsecured, were secured by legal mortgages over the Group's properties and deposits.

At 30/09/2009, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2009 amounted to approximately HK\$289 million (31/03/2009: approximately HK\$286 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 30/09/2009 is 22% (31/03/2009: 29%).

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2009

		Six months ended 30 September	
		2009	2008
		(unaudited)	(unaudited)
Notes		HK\$	HK\$
Revenue from hotel operation		8,221,443	8,727,114
Property rental income		5,529,300	6,485,019
Cost of sales		(13,956,538)	(14,055,572)
		(205,795)	1,156,561
Dividend income from listed securities		246,110	337,902
Increase (Decrease) in fair value of held-for-trading investments		4,470,167	(16,928,258)
Other income		31,445	66,102
Gain on disposal of investment property		4,803,681	–
Decrease (Increase) in fair value of financial liabilities at fair value through profit and loss		540,425	(2,749,799)
Administrative expenses		(6,639,545)	(6,944,147)
Finance costs	5	(929,335)	(1,127,461)
Share of results of associates		512,211	210,706
Profit (Loss) before taxation		2,829,364	(25,978,394)
Taxation	6	–	–
Profit (Loss) for the period		2,829,364	(25,978,394)
Profit (Loss) for the period attributable to:			
Owners of the Company		2,829,364	(25,978,394)
Non-controlling interests		–	–
		2,829,364	(25,978,394)
		Cents	Cents
Earnings (Loss) per share – Basic	7	0.58	(5.31)

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$	HK\$
Profit (Loss) for the period	2,829,364	(25,978,394)
Exchange differences arising on translation of foreign operations	(30,944)	(756,532)
Total comprehensive income for the period	2,798,420	(26,734,926)
Total comprehensive income for the period attributable to:		
Owners of the Company	2,798,420	(26,734,926)
Non-controlling interests	–	–
	2,798,420	(26,734,926)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		98,023,246	101,628,623
Paintings		4,220,000	3,800,000
Investment properties		81,822,140	104,022,140
Prepaid lease payments		987,439	1,001,448
Interests in associates	8	2,438,598	1,926,387
Available-for-sale investments		159,188,314	159,188,314
		346,679,737	371,566,912
CURRENT ASSETS			
Prepaid lease payments		28,016	28,016
Held-for-trading investments		12,950,304	10,195,070
Inventories		491,759	414,450
Trade and other receivables	9	3,139,865	3,407,945
Deposits and prepayment		1,497,397	2,506,804
Deposits for acquisition of properties		–	4,844,170
Amount due from an associate		203,562	203,562
Amounts due from related companies		–	420,716
Pledged bank deposits		2,134,730	2,132,323
Bank balances and cash		9,257,698	2,040,796
		29,703,331	26,193,852

INTERIM FINANCIAL INFORMATION

	Notes	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
CURRENT LIABILITIES			
Trade and other payables	10	7,576,556	7,305,296
Deposits received		4,198,717	3,153,914
Amounts due to directors		–	370,000
Amounts due to associates		490,381	385,381
Amounts due to related companies		335,363	315,192
Amount due to a minority shareholder		4,029,055	3,344,671
Provision for onerous contracts		–	3,706,000
Bank borrowings – due within one year	11	8,670,010	9,064,231
Financial liabilities at fair value through profit and loss		–	540,425
Bank overdrafts		–	2,495,979
		25,300,082	30,681,089
NET CURRENT ASSETS (LIABILITIES)			
		4,403,249	(4,487,237)
		351,082,986	367,079,675
CAPITAL AND RESERVES			
Share capital	12	48,884,268	48,884,268
Reserves		240,148,765	237,350,345
		289,033,033	286,234,613
NON-CURRENT LIABILITIES			
Deferred taxation		6,391,062	6,391,062
Provision for long service payments		2,055,013	2,055,013
Bank borrowings – due after one year	11	53,603,878	72,398,987
		62,049,953	80,845,062
		351,082,986	367,079,675

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Exchange reserve	Special reserve	Retained profits (Accumulated losses)	Attributable to owners of the Company	Non- controlling interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2009 (Audited)	48,884,268	210,865,965	28,990,000	2,938,532	(3,910,466)	83,486,921	(85,020,607)	286,234,613	-	286,234,613
Transfer prior year loss to special reserve	-	-	-	-	-	(28,776,650)	28,776,650	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	(30,944)	-	-	(30,944)	-	(30,944)
Profit for the period	-	-	-	-	-	-	2,829,364	2,829,364	-	2,829,364
At 30 September 2009 (Unaudited)	48,884,268	210,865,965	28,990,000	2,938,532	(3,941,410)	54,710,271	(53,414,593)	289,033,033	-	289,033,033
At 1 April 2008 (Audited)	48,884,268	210,865,965	28,990,000	2,938,532	(3,320,491)	89,445,045	(12,985,049)	364,818,270	-	364,818,270
Transfer prior year loss to special reserve	-	-	-	-	-	(5,958,124)	5,958,124	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	(756,532)	-	-	(756,532)	-	(756,532)
Loss for the period	-	-	-	-	-	-	(25,978,394)	(25,978,394)	-	(25,978,394)
At 30 September 2008 (Unaudited)	48,884,268	210,865,965	28,990,000	2,938,532	(4,077,023)	83,486,921	(33,005,319)	338,083,344	-	338,083,344

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (unaudited) HK\$	2008 (unaudited) HK\$
Net cash (used in) operating activities	(2,252,292)	(13,989,288)
Net cash from (used in) investing activities	31,399,454	(4,066,174)
Net cash (used in) from financing activities	(19,434,281)	2,931,522
Net increase (decrease) in cash and cash equivalents	9,712,881	(15,123,940)
Cash and cash equivalents at beginning of the period	(455,183)	19,457,028
Cash and cash equivalents at end of the period	9,257,698	4,333,088

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2009 annual financial statements.

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

2. Principal Accounting Policies

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2009 except as described below:

In current period, the Group has applied the following amendments and interpretations (“new HKFRSs”), issued by the HKICPA, which are effective for the group’s financial year beginning on 1st April 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

INTERIM FINANCIAL INFORMATION

HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendments to paragraph 80 of HKAS 39

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

HKFRS 8 “Operating Segments”

The Group has adopted HKFRS 8 Operating Segments with effect from 1st April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There are no material changes in the identification of the Group’s reportable segments following the adoption of HKFRS 8.

HKAS 1 (Revised) “Presentation of Financial Statements”

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised in 2008)	Business Combinations ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴

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

² Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1st January 2010.

⁴ Effective for transfers on or after 1st July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segments Information

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.

INTERIM FINANCIAL 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

Segment information about these businesses is presented below.

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Consolidated HK\$
2009	Six months ended 30 September (unaudited)			
REVENUE	8,221,443	5,529,300	-	13,750,743
RESULTS				
Segment profit (loss)	608,214	(814,008)	5,256,702	5,050,908
Bank interest income				1,142
Gain on disposal of investment property				4,803,681
Unallocated corporate expenses				(6,609,243)
Finance costs				(929,335)
Share of results of associates				512,211
Profit before taxation				2,829,364
Taxation				-
Profit for the period				2,829,364

INTERIM FINANCIAL INFORMATION

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Consolidated HK\$
2008	Six months ended 30 September (unaudited)			
REVENUE	8,727,114	6,485,019	–	15,212,133
RESULTS				
Segment profit (loss)	914,810	241,751	(19,340,155)	(18,183,594)
Bank interest income				53,833
Unallocated corporate expenses				(6,931,878)
Finance costs				(1,127,461)
Share of results of associates				210,706
Loss before taxation				(25,978,394)
Taxation				–
Loss for the period				(25,978,394)

Geographical segments

	Sales revenue by geographical market	
	2009 (unaudited) HK\$	2008 (unaudited) HK\$
Hong Kong	8,535,120	9,619,633
Other regions in the People's Republic of China	5,215,623	5,592,500
	13,750,743	15,212,133

4. Depreciation and Amortisation

During the period, depreciation of HK\$3,878,619 (2008: HK\$4,268,406) was charged in respect of the Group's property, plant and equipment.

During the period, amortisation of HK\$14,008 (2008: HK\$14,008) was charged in respect of the Group's prepaid lease payments.

5. Finance Costs

	Six months ended 30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on bank borrowings:		
Wholly repayable within 5 years	84,073	436,802
Not wholly repayable within 5 years	845,262	690,659
	929,335	1,127,461

6. Taxation

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

7. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profits for the period of HK\$2,829,364 (2008: loss of HK\$25,978,394) and 488,842,675 (2008: 488,842,675) ordinary shares in issue during the period.

(b) Diluted earnings (loss) per share

No diluted earnings (loss) per share for the six months ended 30 September 2008 and 30 September 2009 were presented as there was no potential dilutive ordinary shares subsisted during the period.

8. Interests in Associates

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

Results

	Six months ended 30 September	
	2009 (unaudited) HK\$	2008 (unaudited) HK\$
Revenue	2,446,807	1,829,962
Profit for the period	1,024,422	421,412
Group's share of results of associates for the period	512,211	210,706

Financial position

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
Total assets	60,555,005	59,803,153
Total liabilities	(68,783,783)	(68,439,341)
Net liabilities	(8,228,778)	(8,636,188)
Group's share of net assets of associates	2,438,598	1,926,387

9. Trade and Other Receivables

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

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

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
0 – 30 days	3,104,111	3,398,878
31 – 60 days	11,479	–
Over 60 days	534,820	519,612
	<hr/>	<hr/>
Trade and other receivables	3,650,410	3,918,490
Less: allowance for doubtful debts	(510,545)	(510,545)
	<hr/>	<hr/>
	3,139,865	3,407,945
	<hr/> <hr/>	<hr/> <hr/>

10. Trade and Other Payables

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

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
0 – 30 days	707,082	495,384
31 – 60 days	373,709	449,781
Over 60 days	2,855,483	3,065,808
	<hr/>	<hr/>
Trade payables	3,936,274	4,010,973
Other payables	3,640,282	3,294,323
	<hr/>	<hr/>
	7,576,556	7,305,296
	<hr/> <hr/>	<hr/> <hr/>

11. Bank Borrowings

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
Bank borrowings comprise:		
Mortgage loans	33,933,888	51,503,218
Bank loans	28,340,000	29,960,000
	62,273,888	81,463,218
Secured	58,773,888	77,963,218
Unsecured	3,500,000	3,500,000
	62,273,888	81,463,218
The above borrowings are repayable as follows:		
Within one year	8,670,010	9,064,231
More than one year, but not exceeding two years	5,269,920	5,674,011
More than two years, but not exceeding five years	17,639,678	20,113,479
More than five years	30,694,280	46,611,497
	62,273,888	81,463,218
Less: Amount due within one year shown under current liabilities	(8,670,010)	(9,064,231)
Amount due after one year	53,603,878	72,398,987

12. Share Capital

	Number of shares		Share capital	
	2009	2008	2009 HK\$	2008 HK\$
Authorised:				
At 1 April and at 30 September	750,000,000	750,000,000	75,000,000	75,000,000
Issued and fully paid:				
At 1 April and at 30 September	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 arose as a result of the Capital Reduction. An amount of HK\$221,897,828 of the total amount was applied towards writing off the unconsolidated accumulated losses of the Company as at 31st March 2006, and HK\$100,000,000 was transferred to a special reserve. The remaining balance of HK\$118,060,579 was credited to the share premium account of the Company.

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

- (1) the HK\$11,419,494 impairment loss recognised in respect of the Company's subsidiaries;
- (2) various provisions in the aggregate amount of HK\$131,025,752, against loans due from the Company's subsidiaries;

- (3) the HK\$163,600,000 provision in respect of the Company's investment in an associated company;
- (4) the HK\$3,500,000 provision for a deposit paid in respect of a proposed additional interest in a subsidiary; and
- (5) the HK\$1,200,000 provision in respect of long service awards/severance payments,

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

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

The undertaking is subject to the following provisions:

1. the amount standing to the credit of the special reserve may be applied for the same purposes as a share premium account may be applied or may be reduced by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after 20th July 2007; and
2. an amount of up to HK\$100,000,000 of the special reserve may be applied by the Company for the purpose of eliminating any loss sustained after 31st March 2006, provided that such loss is referable to an audited balance sheet of the Company as published from time to time, and provided further that if subsequent to the elimination, any of the Company's investments against which provision for impairment loss or diminution in value has been made shall be revalued in the accounting records of the Company in excess of the provision, or such investment shall be realised for a sum in excess of the amount of such provision, then a sum equal to the amount of the revaluation or the sum realised in excess of the amount of the provision, up to an aggregate amount of HK\$100,000,000, shall be re-credited to the special reserve.

13. Commitments

Operating lease arrangements

The Group as lessee:

At 30/09/2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
Within one year	4,766,769	4,844,725
In the second to fifth year inclusive	19,067,075	19,047,619
Over five years	47,667,688	50,000,000
	71,501,532	73,892,344

The Group as lessor:

	30/09/2009 (unaudited) HK\$	31/03/2009 (audited) HK\$
Within one year	2,416,296	2,481,833
In the second to fifth year inclusive	–	–
	2,416,296	2,481,833

Property rental income earned during the period was HK\$5,529,300 (2008: HK\$6,485,019).

14. Subsequent Event

In October 2009, the Company entered into a Joint Venture Agreement (the "Agreement") with Mr. Derek Chiu, a director of the Company, for the formation of a Joint Venture Company (the "JV Company") which is owned by the Company as to 50% and by Mr. Derek Chiu as to 50%. Pursuant to the Agreement, the JV Company will hold and develop the property located in Yuen Long, New Territories to be acquired by the JV Company from Mr. Derek Chiu. The Company shall pay in aggregate HK\$8,650,000 to the JV Company for the subscription for 50 new Shares (at the subscription price of HK\$1.00 per Share) and the making of a HK\$8,649,950 shareholder's loan to the JV Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, the interests and short positions of the directors and the Company's chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of issued share capital of the Company
Mr. Deacon Te Ken Chiu	12,491,424	–	108,901,052 <i>(Note 1)</i>	121,392,476	24.83%
Mr. Derek Chiu	12,394,000	–	78,430,299 <i>(Note 2)</i>	90,824,299	18.58%
Madam Chiu Ju Ching Lan	188,000	–	–	188,000	0.04%
Mr. Dick Tat Sang Chiu	12,172,800	–	22,277,033 <i>(Note 3)</i>	34,449,833	7.05%
Mr. David Chiu	3,144,627	–	–	3,144,627	0.64%
Ms. Margaret Chiu	676,240	–	5,000,000 <i>(Note 4)</i>	5,676,240	1.16%

Notes:

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

(b) Share options of the Company

At an extraordinary general meeting of the Company held on 1 June 2007, an ordinary resolution to approve the adoption of a new share option scheme that complies with the Listing Rules was duly passed by the shareholders. No share options were granted under this new share option scheme during the period and outstanding as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, none of the directors nor the Company's chief executives nor their respective associates, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES", according to the register of interests maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the directors or chief executive of the Company, as at 30 September 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	Approximate 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 controlled by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2009.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprises two independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director of the Company, Mr. Derek Chiu. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2009.

On Behalf of the Board

Derek Chiu

Managing Director & Chief Executive

Hong Kong, 14 December 2009