



*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 Interim Report, the English text shall be taken as correct.

# CORPORATE INFORMATION

## **Place of Incorporation**

Hong Kong

## **Board of Directors**

### *Executive Directors*

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

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

Desmond Chiu, B.A.

(*Deputy Managing Director*)

Margaret Chiu, LL.B.

### *Non-executive Directors*

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Tan Sri Dato' David Chiu, B.Sc.

Dennis Chiu, B.A.

Duncan Chiu, B.Sc.

### *Independent Non-executive Directors*

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

## **Company Secretary**

Tang Sung Ki, CPA, FCCA

## **Solicitors**

Woo Kwan Lee & Lo

## **Auditor**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

## **Authorised Representatives**

Derek Chiu, B.A.

Tang Sung Ki, CPA, FCCA

## **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**

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/websevice/00037](http://www.tricor.com.hk/websevice/00037)

# MANAGING DIRECTOR & CHIEF EXECUTIVE'S STATEMENT

## OVERALL RESULTS

For the six months ended 30 September 2010, Far East Hotels And Entertainment Limited (the "Company") and its subsidiaries (the "Group") recorded an unaudited consolidated net loss attributable to shareholders of HK\$7,189,784 (30/09/2009: net profit of HK\$2,829,364).

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2010 (2009: Nil).

## REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of Cheung Chau Warwick Hotel has increased by 10% compared with last corresponding period. The average occupancy rate has increased by 12% while the average room rate remained stable when compared with last corresponding period. Our Sales and Marketing Team will keep extending and exploring more markets, including China. Certain room facilities will be upgraded to increase the satisfaction of customers.

The turnover of Beijing Warwick Suite Hotel ("Beijing Warwick") has increased by 13% compared with last corresponding period. In November 2010, Beijing Warwick has successfully leased out several floors of the hotel to a company. This guarantees Beijing Warwick has a stable rental income.

In securities investment and trading, the Group has recorded a profit of approximately HK\$200,000.

In early September 2010, Mr. Duncan Chiu (a non-executive director of the Company) has been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong in relation to the business operations of Far East Holdings International Limited (Stock Code: 0036). The Board believes that the above matter will not have any impact on the Company.

On 9 October 2010, the Group has disposed of an investment property. The completion date of the sale and purchase of the investment property is on or before 1 December 2010. The disposal is expected to enable the Company to recognize a profit of HK\$1,990,000 (before expenses). The estimated net proceeds from the disposal of approximately HK\$17,200,000 are intended to be used for working capital purpose of the Group.

# MANAGING DIRECTOR & CHIEF EXECUTIVE'S STATEMENT

## 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 30/09/2010, the Group had bank credit facilities amounting to approximately HK\$76,837,000 (31/03/2010: HK\$73,293,000), of which approximately HK\$69,837,000 (31/03/2010: HK\$67,793,000) were utilised. These facilities, other than HK\$2,000,000 (31/03/2010: HK\$3,500,000) which was unsecured, were secured by legal mortgages over the Group's properties and deposits.

At 30/09/2010, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2010 amounted to approximately HK\$288 million (31/03/2010: approximately HK\$296 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 30/09/2010 is 24% (31/03/2010: 23%).

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2010*

	Notes	Six months ended 30 September	
		2010 (unaudited) HK\$	2009 (unaudited) HK\$
Revenue		14,947,443	13,750,743
Cost of sales		(14,233,713)	(13,956,538)
Gross profit (loss)		713,730	(205,795)
Dividend income from held-for-trading investments		280,555	246,110
(Decrease) increase in fair value of held-for-trading investments		(79,823)	4,470,167
Other income		513,826	31,445
Gain on disposal of investment property		–	4,803,681
Decrease in fair value of financial liabilities at fair value through profit or loss		–	540,425
Administrative expenses		(8,004,239)	(6,639,545)
Finance costs	5	(769,472)	(929,335)
Share of results of associates		155,639	512,211
(Loss) profit before taxation	4	(7,189,784)	2,829,364
Taxation	6	–	–
(Loss) profit for the period		(7,189,784)	2,829,364
Other comprehensive expenses for the period			
Exchange differences arising on translation of foreign operations		(970,716)	(30,944)
Total comprehensive (expenses) income for the period		(8,160,500)	2,798,420
		<b>Cents</b>	<b>Cents</b>
(Loss) earnings per share – Basic	7	(1.47)	0.58

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	30/09/2010 (unaudited) HK\$	31/03/2010 (audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		91,814,387	94,794,240
Paintings		4,220,000	4,220,000
Investment properties		99,881,420	99,881,420
Prepaid lease payments		959,423	973,432
Interests in associates	8	1,920,613	1,764,974
Interest in a jointly controlled entity		565,186	565,186
Loan to a jointly controlled entity	9	8,432,592	8,432,315
Available-for-sale investments		159,188,314	159,188,314
		<b>366,981,935</b>	<b>369,819,881</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		28,016	28,016
Held-for-trading investments		12,799,565	13,956,410
Inventories		516,130	507,469
Trade and other receivables	10	208,895	305,493
Deposits and prepayment		1,820,940	1,990,008
Amount due from an associate		193,562	203,562
Pledged bank deposits		2,137,328	2,135,306
Bank balances and cash		3,234,734	4,145,215
		<b>20,939,170</b>	<b>23,271,479</b>

## INTERIM FINANCIAL INFORMATION

		<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 (audited) HK\$
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>10,145,529</b>	9,635,241
Deposits received		<b>3,112,620</b>	3,465,706
Amounts due to directors		<b>234,041</b>	–
Amounts due to associates		<b>1,310,381</b>	1,200,381
Amounts due to related companies		<b>460,894</b>	434,516
Amount due to a minority shareholder		<b>4,458,599</b>	4,039,599
Bank borrowings – due within one year	12	<b>8,620,024</b>	9,443,212
		<b>28,342,088</b>	28,218,655
<b>NET CURRENT LIABILITIES</b>			
		<b>(7,402,918)</b>	(4,947,176)
		<b>359,579,017</b>	364,872,705
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>48,884,268</b>	48,884,268
Reserves		<b>239,224,900</b>	247,385,400
		<b>288,109,168</b>	296,269,668
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		<b>8,197,754</b>	8,197,754
Provision for long service payments		<b>2,055,013</b>	2,055,013
Bank borrowings – due after one year	12	<b>61,217,082</b>	58,350,270
		<b>71,469,849</b>	68,603,037
		<b>359,579,017</b>	364,872,705



## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Capital redemption reserve HK\$	Property revaluation reserve HK\$	Translation reserve HK\$	Special reserve HK\$	Accumulated losses HK\$	Total 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
Profit for the period	-	-	-	-	-	-	-	2,829,364	2,829,364
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(30,944)	-	-	(30,944)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(30,944)	-	2,829,364	2,798,420
Transfer prior year loss to special reserve	-	-	-	-	-	-	(28,776,650)	28,776,650	-
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
At 1 April 2010 (Audited)	48,884,268	210,865,965	1,433,663	28,990,000	2,938,532	(4,020,912)	54,710,271	(47,532,119)	296,269,668
Loss for the period	-	-	-	-	-	-	-	(7,189,784)	(7,189,784)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(970,716)	-	-	(970,716)
Total comprehensive expenses for the period	-	-	-	-	-	(970,716)	-	(7,189,784)	(8,160,500)
Transfer prior year loss to special reserve	-	-	-	-	-	-	(13,096,675)	13,096,675	-
At 30 September 2010 (Unaudited)	48,884,268	210,865,965	1,433,663	28,990,000	2,938,532	(4,991,628)	41,613,596	(41,625,228)	288,109,168

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 September 2010*

	Six months ended	
	30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK\$	HK\$
Net cash (used in) operating activities	(2,798,254)	(2,252,292)
Net cash from investing activities	194,620	31,399,454
Net cash from (used in) financing activities	1,693,153	(19,434,281)
Net (decrease) increase in cash and cash equivalents	(910,481)	9,712,881
Cash and cash equivalents at beginning of the period	4,145,215	(455,183)
Cash and cash equivalents at end of the period	3,234,734	9,257,698

# INTERIM FINANCIAL INFORMATION

## 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 2010 annual financial statements.

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

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

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010 except as described below:

In the current period, the Group has applied the following new and revised Standards, Amendments and Interpretations (collectively the “new and revised HKFRSs”) issued by the HKICPA.

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

The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective. 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 condensed consolidated financial statements of the Group.

## INTERIM FINANCIAL INFORMATION

### 3. SEGMENT INFORMATION

The Group is currently organized into four operating segments as follows:

Hotel operation	–	operation of a hotel in Hong Kong
Hotel operation and property letting	–	operation of a hotel and property letting in the People’s Republic of China (“PRC”), excluding Hong Kong
Property investment	–	investment properties and property letting in Hong Kong
Securities investment and trading		

Segment information for prior period has been restated to conform with the current period’s presentation.

The following is an analysis of the Group’s revenue and results by operating segments:

	Hotel operation and property operation - Hong Kong HK\$	letting - PRC excluding Hong Kong HK\$	Property investment - Hong Kong HK\$	Securities investment and trading HK\$	Total HK\$
Six months ended 30 September (unaudited)					
<b>2010</b>					
REVENUE	9,039,708	5,907,735	–	–	14,947,443
<b>RESULTS</b>					
Segment profit (loss)	1,270,213	(421,942)	(134,541)	200,732	914,462
Unallocated income					513,826
Central administrative expenses					(8,004,239)
Finance costs					(769,472)
Share of results of associates					155,639
Loss before taxation					(7,189,784)
Taxation					–
Loss for the period					(7,189,784)

## INTERIM FINANCIAL INFORMATION

	Hotel operation and property				Total
	Hotel operation - Hong Kong	letting - PRC excluding Hong Kong	Property investment - Hong Kong	Securities investment and trading	
	HK\$	HK\$	HK\$	HK\$	HK\$
Six months ended 30 September (unaudited)					
2009					
<b>REVENUE</b>	8,221,443	5,215,623	313,677	-	13,750,743
<b>RESULTS</b>					
<b>Segment profit (loss)</b>	608,214	(995,646)	4,985,318	5,256,702	9,854,588
Unallocated income					31,445
Central administrative expenses					(6,639,545)
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

### Geographical information

	Revenue from external customers	
	2010 (unaudited) HK\$	2009 (unaudited) HK\$
Hong Kong	9,039,708	8,535,120
People's Republic of China (excluding Hong Kong)	5,907,735	5,215,623
	<b>14,947,443</b>	<b>13,750,743</b>

## INTERIM FINANCIAL INFORMATION

### 4. (LOSS) PROFIT BEFORE TAXATION

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$</b>	HK\$
(Loss) profit before taxation has been arrived at after charging:		
Depreciation	3,547,092	3,878,619
Release of prepaid lease payments	14,009	14,009
Auditor's remuneration	346,453	338,021
Directors' remuneration & other staff costs		
Salaries, bonus and allowances	6,652,890	5,895,320
Retirement benefits cost	414,681	364,174
	7,067,571	6,259,494
Loss on disposal of property, plant and equipment	9,628	–
Operating lease rentals in respect of rental premises	2,898,919	2,865,905
Share of taxation of associates (included in share of results of associates)	30,750	101,206
	and after crediting:	
Bank interest income	2,250	1,142
Exchange gain, net	511,559	30,039
Other interest income	17	264
	2,227,956	1,142,450

# INTERIM FINANCIAL INFORMATION

## 5. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on bank borrowings:		
Wholly repayable within 5 years	147,534	84,073
Not wholly repayable within 5 years	621,938	845,262
	<b>769,472</b>	<b>929,335</b>

## 6. TAXATION

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

## 7. (LOSS) EARNINGS PER SHARE

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

The calculation of basic (loss) earnings per share is based on the loss for the period of HK\$7,189,784 (2009: profit of HK\$2,829,364) and 488,842,675 (2009: 488,842,675) ordinary shares in issue during the period.

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

No diluted loss per share for the six months ended 30 September 2010 was presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share.

No diluted earnings per share for the six months ended 30 September 2009 was presented as there was no potential ordinary shares outstanding during the period.

## INTERIM FINANCIAL INFORMATION

### 8. INTERESTS IN ASSOCIATES

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

#### Results

	<b>Six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$</b>	HK\$
Revenue	<b>2,809,115</b>	2,446,807
Profit for the period	<b>196,791</b>	1,024,422
Group's share of results of associates for the period	<b>155,639</b>	512,211

#### Financial position

	<b>30/09/2010</b>	31/03/2010
	<b>(unaudited)</b>	(audited)
	<b>HK\$</b>	HK\$
Total assets	<b>59,596,004</b>	59,656,182
Total liabilities	<b>(69,104,946)</b>	(69,604,867)
Net liabilities	<b>(9,508,942)</b>	(9,948,685)
Group's share of net assets of associates	<b>1,920,613</b>	1,764,974



## INTERIM FINANCIAL INFORMATION

### 9. LOAN TO A JOINTLY CONTROLLED ENTITY

The loan to the jointly controlled entity is unsecured, interest free and has no fixed repayment terms.

The loan is not expected to be repaid within twelve months from the end of the reporting period and is therefore shown as non-current.

### 10. 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 end of reporting period:

	<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 <b>(audited)</b> <b>HK\$</b>
0 - 30 days	<b>150,513</b>	292,397
31 - 60 days	<b>33,222</b>	2,137
Over 60 days	<b>535,705</b>	521,504
Trade and other receivables	<b>719,440</b>	816,038
Less: allowance for doubtful debts	<b>(510,545)</b>	(510,545)
	<b>208,895</b>	305,493

## INTERIM FINANCIAL INFORMATION

### 11. TRADE AND OTHER PAYABLES

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

	<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 <b>(audited)</b> <b>HK\$</b>
0 - 30 days	499,649	533,148
31 - 60 days	514,182	685,786
Over 60 days	3,950,098	3,564,693
Trade payables	4,963,929	4,783,627
Other payables	5,181,600	4,851,614
	<b>10,145,529</b>	<b>9,635,241</b>

### 12. BANK BORROWINGS

	<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 <b>(audited)</b> <b>HK\$</b>
Bank borrowings comprise:		
Mortgage loans	39,724,106	41,073,482
Bank loans	30,113,000	26,720,000
	<b>69,837,106</b>	<b>67,793,482</b>
Secured	67,837,106	64,293,482
Unsecured	2,000,000	3,500,000
	<b>69,837,106</b>	<b>67,793,482</b>
The above borrowings are repayable as follows:		
Within one year	8,620,024	9,443,212
More than one year, but not exceeding two years	6,636,427	5,959,432
More than two years, but not exceeding five years	24,460,698	23,888,471
More than five years	30,119,957	28,502,367
	<b>69,837,106</b>	<b>67,793,482</b>
Less: Amount due within one year shown under current liabilities	<b>(8,620,024)</b>	<b>(9,443,212)</b>
Amount due after one year	<b>61,217,082</b>	<b>58,350,270</b>

# INTERIM FINANCIAL INFORMATION

## 13. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2010 and 30 September 2010	<u>750,000,000</u>	<u>75,000,000</u>
Issued and fully paid:		
At 1 April 2010 and 30 September 2010	<u>488,842,675</u>	<u>48,884,268</u>

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:

- (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;

## INTERIM FINANCIAL INFORMATION

- (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 statement of financial position 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.

# INTERIM FINANCIAL INFORMATION

## 14. COMMITMENTS

### *Operating lease arrangements*

The Group as lessee:

At 30/09/2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 <b>(audited)</b> <b>HK\$</b>
Within one year	<b>4,863,926</b>	4,779,244
In the second to fifth year inclusive	<b>19,455,704</b>	19,116,978
Over five years	<b>43,775,333</b>	45,402,822
	<b>68,094,963</b>	69,299,044

The Group as lessor:

	<b>30/09/2010</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2010 <b>(audited)</b> <b>HK\$</b>
Within one year	<b>2,465,545</b>	2,750,546
In the second to fifth year inclusive	–	599,454
	<b>2,465,545</b>	3,350,000

Property rental income earned during the period was HK\$2,472,354 (2009: HK\$2,736,646).

## 15. SUBSEQUENT EVENT

On 9 October 2010, the Group has disposed of an investment property. The completion date of the sale and purchase of the investment property is on or before 1 December 2010. The disposal is expected to enable the Company to recognize a profit of HK\$1,990,000 (before expenses).

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, 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 Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### (a) Directors' interest in shares and underlying shares of the Company

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

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

- (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) Directors' interest in shares and underlying shares of associated corporation

Name of director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of associated corporation
Mr. Derek Chiu	Long Position	Sino Noble Development Limited	50	50%

Sino Noble Development Limited is a jointly controlled entity of the Company which the Company held 50% of the issued share capital.

### (c) 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. Share options granted under the scheme during the period and as at 30 September 2010 were as follows:

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

Category of Grantee	Number Of Options				Exercise Price HK\$	Grant date	Exercisable	
	Held at 1 April 2010	Granted during the period	Exercised during the period	Held at 30 September 2010			Period From	To
Independent non-executive directors								
Mr. Ip Shing Hing	1,000,000	-	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Mr. Ng Wing Hang Patrick	1,000,000	-	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Mr. Choy Wai Shek Raymond	1,000,000	-	-	1,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
Aggregate for employees	5,000,000	-	-	5,000,000	0.282	30/12/2009	30/12/2009	29/12/2019
	1,500,000	-	-	1,500,000	0.265	24/02/2010	24/02/2010	23/02/2020
	<u>9,500,000</u>	<u>-</u>	<u>-</u>	<u>9,500,000</u>				

Save as disclosed above, as at 30 September 2010, 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.



## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### 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 2010, the following persons or corporations (other than a director or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital of the Company</b>
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 30 September 2010 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.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### **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 2010, 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 2010.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### 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 2010.

On Behalf of the Board

**Derek Chiu**

*Managing Director & Chief Executive*

Hong Kong, 26 November 2010