Far East Hotels and Entertainment Limited

Stock Code : 37

Annual Report 2012

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

Corporate Information

PLACE OF INCORPORATION
Hong Kong

BOARD OF DIRECTORS

Executive Directors
Deacon Te Ken Chiu, J.P. *(Chairman)*
Derek Chiu, B.A. *(Managing Director and Chief Executive)*
Desmond Chiu, B.A. *(Deputy Managing Director)*
Margaret Chiu, LL.B.

Non-executive Directors
Chiu Ju Ching Lan, J.P.
Dick Tat Sang Chiu, M.A.
Dennis Chiu, B.A.

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
Ng Wing Hang Patrick *(Chairman)*
Ip Shing Hing, J.P.
Choy Wai Shek Raymond, MH, J.P.

Corporate Information

REMUNERATION COMMITTEE
Choy Wai Shek Raymond, MH, J.P. *(Chairman)*
Ip Shing Hing, J.P.
Ng Wing Hang Patrick
Derek Chiu, B.A.

NOMINATION COMMITTEE
Ip Shing Hing, J.P. *(Chairman)*
Ng Wing Hang Patrick
Choy Wai Shek Raymond, MH, J.P.
Derek Chiu, B.A.

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 1902, 19th Floor,
The Sun's Group Centre,
200 Gloucester Road,
Wanchai, Hong Kong

SHARE REGISTRAR
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/webservice/00037

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

Mr. Deacon Te Ken Chiu, J.P. *(Chairman)*
Aged 87. He was appointed as a Director and Chairman of the Company in 1979. He is the founder of the Far East Group. With effect from 8th September, 2011, Mr. Chiu has retired as the chairman and was appointed as the honorary chairman of Far East Consortium International Limited (stock code: 35). He is also the chairman of the board of directors of Far East Holdings International Limited (stock code: 36). 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 and financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th, the founder of 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, and the founder and chairman of 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, Margaret Chiu, Dennis Chiu, Derek Chiu and Desmond Chiu.

Mr. Derek Chiu, B.A. *(Managing Director & Chief Executive)*
Aged 46. He joined and was appointed as Director of the Company in 1989. He is also an Executive Director of Far East Holdings International Limited (stock code: 36). 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, Margaret Chiu, Dennis Chiu and Desmond Chiu.

Mr. Desmond Chiu, B.A. *(Deputy Managing Director)*
Aged 45. He was appointed as director and Deputy Managing Director of the Company on 6th May, 2010. He graduated from the University of Cambridge, the United Kingdom. He is also a Non-executive Director of Far East Holdings International Limited (stock code: 36). 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 and Derek Chiu.

Ms. Margaret Chiu, LL.B.
Aged 55. She joined and was appointed as Director of the Company in 1989. 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, Dennis Chiu, Derek Chiu and Desmond Chiu.

Profile of Directors

Non-Executive Directors

Madam Chiu Ju Ching Lan, J.P.

Aged 72. She joined the Company and was appointed as Director in 1979. 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. She 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. She is also the Honorary Vice-President of Hong Kong Federation of Women since 1997. She is the wife of Mr. Deacon Te Ken Chiu and the mother of Messrs. Dick Tat Sang Chiu, Margaret Chiu, Dennis Chiu, Derek Chiu and Desmond Chiu.

Mr. Dick Tat Sang Chiu, M.A.

Aged 61. He joined the Far East Group in 1974 and was appointed as Director in 1979. He is the Founder of Warwick International Hotels Group and serves as its President. 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. Margaret Chiu, Dennis Chiu, Derek Chiu and Desmond Chiu.

Mr. Dennis Chiu, B.A.

Aged 53. 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 (stock code: 35). 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, Margaret Chiu, Derek Chiu and Desmond Chiu.

Independent Non-Executive Directors

Mr. Ip Shing Hing, J.P.

Aged 57. Mr. Ip was appointed as an Independent Non-executive Director of the Company on 31st 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 30 years. Mr. Ip is an independent non-executive director of Binhai Investment Company Limited (stock code: 8035) and PC Partner Group Limited (stock code: 1263).

Profile of Directors

Mr. Ng Wing Hang Patrick

Aged 59. Mr. Ng was appointed as an Independent Non-executive Director of the Company on 28th September, 2004. He is a practising Certified Public Accountant in Hong Kong and is the Managing Director of Messrs. Pan-China (H.K.) CPA Limited, Certified Public Accountants. Mr. Ng also serves as independent non-executive director on the board of two other listed companies in Hong Kong, namely, Shenyin Wanguo (H.K.) Limited (stock code: 218) and Ming Kei Holdings Limited (stock code: 8239).

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

Aged 63. Mr. Choy was appointed as an Independent Non-executive Director of the Company on 28th September, 2004. He 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. He was a Former Vice-chairman of Occupational Safety And Health Council. He is now a member of Energy Advisory Committee, a Former member of Consumer Council, a member of CPPCC Guangzhou Committee, a director of Chinese General Chamber Of Commerce, Vice President of GMC Hong Kong Member Association.

Managing Director & Chief Executive's Statement

RESULTS

I report to the shareholders that the audited consolidated profit of the Group attributable to shareholders for the year ended 31st March, 2012 amounted to HK$10,006,580 (2011: HK$5,380,682).

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

REVIEW OF OPERATIONS AND PROSPECTS

The overall turnover of the Group has increased by 26% as compared with the last corresponding period. Of which, the turnover of Cheung Chau Warwick Hotel has increased by 25% as compared with the last corresponding period and contributed a segment profit of approximately HK$4.6 million; while the turnover of Beijing Warwick, which comprises suite hotel and office premises leasing, has increased by 28% as compared with last corresponding period and contributed a segment profit of approximately HK$1.7 million.

Cheung Chau Warwick Hotel will continue focusing on the inbound tourists from mainland China in the coming year. The sales and marketing team of Beijing Warwick will continue putting strong effort on office premises leasing to cope with the increasing market demand for office premises in Beijing.

Further, at the end of the reporting period, there was an increase of approximately HK$20,721,000 in fair value of investment properties.

In securities investment and trading, the Group has recorded a loss of approximately HK$470,000.

The Group will from time to time seek for investment opportunity that can provide investment potential and broaden the income base of the Group.

EMPLOYEES

The Group has approximately 80 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 31st March, 2012, there were outstanding bank loans of HK$42,581,000 (2011: HK$50,406,795) and unutilised overdraft facilities of HK$6,000,000 (2011: HK$4,000,000) available to the Group.

At 31st March, 2012, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31st March, 2012 amounted to approximately HK$313 million (2011: approximately HK$302 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 31st March, 2012 is 14% (2011: 17%).

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, 25th June, 2012

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, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries, associates and jointly controlled entity are set out in notes 15, 16 and 17 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2012 are set out in the consolidated statement of comprehensive income on page 22.

The directors do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 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 14 to the consolidated financial statements.

PROPERTIES

Details of the major properties held by the Group at 31st March, 2012 are set out on pages 84 to 85 of the annual report.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

Directors' Report

DIRECTORS

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

Executive directors

Mr. Deacon Te Ken Chiu *(Chairman)*
Mr. Derek Chiu *(Managing Director and Chief Executive)*
Mr. Desmond Chiu *(Deputy Managing Director)*
Ms. Margaret Chiu

Non-executive directors

Madam Chiu Ju Ching Lan	
Mr. Dick Tat Sang Chiu	
Mr. David Chiu	(retired on 12th August, 2011)
Mr. Dennis Chiu	
Mr. Duncan Chiu	(resigned on 9th May, 2012)

Independent non-executive directors

Mr. Ip Shing Hing
Mr. Ng Wing Hang Patrick
Mr. Choy Wai Shek Raymond

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 election. In accordance thereto, Mr. Deacon Te Ken Chiu, Mr. Derek Chiu, Mr. Desmond Chiu 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 Group are set out on pages 4 to 6 of the annual report.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2012, 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					Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		Total	
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%
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) Directors' interest in shares and underlying shares of associated corporation

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

Sino Noble Development Limited is jointly held by Mr. Derek Chiu and the Company.

(c) Share options of the Company

Details of the share option scheme that complies with the Listing Rules adopted on 1st June, 2007 are set out in note 43 to the consolidated financial statements. Share Options held by the directors and employees are as follows:

Category of Grantee	Options held at 31st March, 2012	Exercise Price HK$	Grant date	Exercisable period from	Exercisable period to
Executive director					
Mr. Derek Chiu	4,500,000	0.2498	15/04/2011	15/04/2011	14/04/2021
Independent non-executive directors					
Mr. Ip Shing Hing	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Mr. Ng Wing Hang Patrick	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Mr. Choy Wai Shek Raymond	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
Aggregate for employees	5,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019
	1,500,000	0.2650	24/02/2010	24/02/2010	23/02/2020
	14,000,000				

On 15th April, 2011, the Company granted share options to Mr. Derek Chiu to subscribe for an aggregate of 4,500,000 shares of the Company at an exercise price of HK$0.2498 per share.

No share options were exercised, cancelled or lapsed during the year ended 31st March, 2012.

Save as disclosed above, as at 31st March, 2012, 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).

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, 2012, 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 issued ordinary shares held	Approximate percentage of issued share capital of the Company
Achiemax Limited *(Note 1)*	Beneficial owner	72,182,400	14.77%
Energy Overseas Ltd. *(Note 2)*	Beneficial owner	78,430,299	16.04%

Notes:

1. Mr. Deacon Te Ken Chiu and Mr. Dennis Chiu are directors of Achiemax Limited.

2. Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

Directors' Report

Save as disclosed above, as at 31st March, 2012 and so far as is known to the directors or chief executive of the Company, there was no other person (other than a director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest suppliers of the Group accounted for less than 45% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for less than 36% of the total sales of the Group in the year.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 80 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 Director.

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 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.

The Company has adopted a share option scheme as an incentive to directors and eligible participants and other consultants, details of the scheme is set out in note 43 to the consolidated financial statements.

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, 2012.

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, 25th June, 2012

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.

The Company has applied the principles of the code provisions under the Corporate Governance Code and Corporate Governance Report (previously named as "Code on Corporate Governance Practices") (the "Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31st March, 2012.

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 ten Directors, whose biographical details are set out in the "Profile of the Directors" of this Annual Report. Four of the Directors are executive, three are non-executive and three are independent non-executive. The six non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, 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 Directors' Report 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 Group strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions and financing.

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

REGULAR BOARD MEETINGS

Five Board meetings were held during the year ended 31st March, 2012. The attendance of individual Director at the Board meetings were set out in the table below:

	Number of meetings attended/eligible to attend
Executive Directors	
Deacon Te Ken Chiu *(Chairman)*	1/5
Derek Chiu *(Managing Director and Chief Executive)*	4/5
Desmond Chiu *(Deputy Managing Director)*	1/5
Margaret Chiu	0/5
Non-executive Directors	
Chiu Ju Ching Lan	0/5
Dick Tat Sang Chiu	0/5
Tan Sri Dato' David Chiu (Retired on 12 August 2011)	0/2
Dennis Chiu	0/5
Duncan Chiu (Resigned on 9 May 2012)	1/5
Independent Non-executive Directors	
Ip Shing Hing	4/5
Ng Wing Hang Patrick	4/5
Choy Wai Shek Raymond	4/5

CORPORATE GOVERNANCE

The Board confines itself to make 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, Remuneration and Nomination Committees (collectively, the "Committees") in accordance with the Code and a majority of the members of the Committees are Independent Non-executive Directors.

The Company has complied with the Code throughout the year ended 31st March, 2012, with deviations from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing Non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors are subject to 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.

Corporate Governance Report

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 the shareholders and the public with the necessary information to form their own judgement on the Company.

AUDITOR'S REMUNERATION

For the year ended 31st March, 2012, the Auditor of the Company received approximately HK$850,000 for audit service (2011: approximately HK$850,000).

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 "Model Code"). The Directors confirmed that they had fully complied with the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st March, 2012.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company regarding their reporting responsibilities on the consolidated 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 reference 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 consolidated financial statements. The Audit Committee comprises three independent non-executive directors, namely, Mr. Ng Wing Hang Patrick (Chairman of the Audit Committee), Mr. Ip Shing Hing, Mr. Choy Wai Shek Raymond and one non-executive director, Mr. Duncan Chiu who has resigned on 9th May, 2012.

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 30th September, 2011 and the annual report for the year ended 31st March, 2012 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31st March, 2012, two meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee was as follows:

	Number of meetings attended/eligible to attend
Ng Wing Hang Patrick *(Chairman of the Audit Committee)*	2/2
Ip Shing Hing	2/2
Choy Wai Shek Raymond	2/2
Duncan Chiu (Resigned on 9 May 2012)	0/2

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the Code.

The committee comprises three independent non-executive directors, namely Mr. Choy Wai Shek Raymond (Chairman of the Remuneration Committee), Mr. Ip Shing Hing (Appointed on 2nd March, 2012), Mr. Ng Wing Hang Patrick, 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. No Director is involved in deciding his own remuneration.

During the financial year ended 31st March, 2012, one meeting was held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee was as follows:

	Number of meetings attended/eligible to attend
Choy Wai Shek Raymond *(Chairman of the Remuneration Committee)*	1/1
Ng Wing Hang Patrick	1/1
Derek Chiu	1/1
Ip Shing Hing (Appointed on 2nd March, 2012)	0/0

NOMINATION COMMITTEE

A Nomination Committee was established by the Board on 2nd March, 2012. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant provisions of the Code.

The committee comprises three independent non-executive directors, namely Mr. Ip Shing Hing (Chairman of the Nomination Committee), Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and the Managing Director & Chief Executive, Mr. Derek Chiu of the Company.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition.

During the financial year ended 31st March, 2012, no meeting was held by the Nomination Committee.

Deloitte.
德勤

TO THE MEMBERS OF FAR EAST HOTELS AND ENTERTAINMENT LIMITED
遠東酒店實業有限公司
(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 83, which comprise the consolidated and company statements of financial position as at 31st March, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of consolidated financial statements that give a true and fair view 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, 2012, and of the profit and cash flows of the Group 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

25th June, 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2012

	NOTES	2012 HK$	2011 HK$
Revenue	5	39,017,204	30,955,911
Cost of sales		(33,643,880)	(32,327,871)
Gross profit (loss)		5,373,324	(1,371,960)
Other income		1,335,428	628,259
Other gains and losses	6	(524,238)	1,186,373
Increase in fair value of investment properties		20,720,780	20,885,416
Administrative expenses		(15,413,972)	(15,882,972)
Finance costs	7	(1,053,400)	(1,440,157)
Share of results of associates		448,172	609,767
Share of result of a jointly controlled entity		2,540,240	1,265,150
Profit before taxation	8	13,426,334	5,879,876
Taxation	11	(3,419,754)	(499,194)
Profit for the year attributable to owners of the Company		10,006,580	5,380,682
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		499,117	645,283
Total comprehensive income for the year attributable to owners of the Company		10,505,697	6,025,965
EARNINGS PER SHARE	12		
Basic		2.05 cents	1.10 cents
Diluted		2.05 cents	1.10 cents

Consolidated Statement of Financial Position

At 31st March, 2012

	NOTES	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment	13	**86,892,238**	90,897,768
Investment properties	14	**87,199,900**	66,479,120
Interests in associates	16	**122,913**	1,174,741
Interest in a jointly controlled entity	17	**5,193,998**	1,830,336
Loan to a jointly controlled entity	19	**8,177,288**	8,706,948
Available-for-sale investments	20	**159,188,314**	159,188,314
Paintings	21	**3,921,217**	4,220,000
		350,695,868	332,497,227
Current assets			
Held-for-trading investments	22	**23,514,495**	16,849,965
Inventories	23	**583,897**	503,829
Trade receivables	24	**595,448**	117,237
Other receivables, deposits and prepayment		**1,288,022**	2,386,624
Amounts due from associates	25	**–**	813,562
Pledged bank deposits	26	**2,118,000**	2,118,000
Bank balances and cash	26	**6,884,367**	8,865,596
		34,984,229	31,654,813
Investment property held for sale	27	**–**	20,500,000
		34,984,229	52,154,813
Current liabilities			
Trade and other payables	28	**7,113,532**	8,030,609
Receipt in advance		**1,338,764**	4,252,190
Rental deposits received		**2,361,278**	2,722,110
Amount due to an associate	25	**61,381**	823,381
Amounts due to related companies	30	**673,985**	592,156
Amount due to a non-controlling shareholder	31	**4,009,376**	3,977,205
Bank borrowings – due within one year	32	**4,408,000**	12,075,795
		19,966,316	32,473,446
Deposit received for investment property held for sale	27	**–**	800,000
		19,966,316	33,273,446
Net current assets		**15,017,913**	18,881,367
Total assets less current liabilities		**365,713,781**	351,378,594

Consolidated Statement of Financial Position

At 31st March, 2012

	NOTES	2012 HK$	2011 HK$
Capital and reserves			
Share capital	33	**48,884,268**	48,884,268
Reserves		**264,548,862**	253,411,365
		313,433,130	302,295,633
Non-current liabilities			
Deferred taxation	35	**12,116,702**	8,696,948
Provision for long service payments	36	**1,990,949**	2,055,013
Bank borrowings – due after one year	32	**38,173,000**	38,331,000
		52,280,651	49,082,961
		365,713,781	351,378,594

The consolidated financial statements on pages 22 to 83 were approved and authorised for issue by the Board of Directors on 25th June, 2012 and are signed on its behalf by:

DEREK CHIU	**DESMOND CHIU**
DIRECTOR	*DIRECTOR*

Statement of Financial Position

At 31st March, 2012

	NOTES	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment	13	**804,521**	1,052,150
Investments in subsidiaries	15	**49,357,219**	48,012,579
Interests in associates	16	**–**	1
Interest in a jointly controlled entity	17	**1,453,100**	629,678
Amounts due from subsidiaries	18	**114,349,822**	113,327,692
Loan to a jointly controlled entity	19	**8,177,288**	8,706,948
Available-for-sale investments	20	**157,026,351**	157,026,351
Paintings	21	**3,921,217**	4,220,000
		335,089,518	332,975,399
Current assets			
Held-for-trading investments	22	**278,000**	370,000
Other receivables, deposits and prepayment		**198,420**	208,142
Amounts due from subsidiaries	18	**–**	11,011,107
Amount due from an associate	25	**–**	213,562
Pledged bank deposits	26	**2,000,000**	2,000,000
Bank balances and cash	26	**4,807,380**	6,709,885
		7,283,800	20,512,696
Current liabilities			
Other payables and accrued charges		**802,978**	1,047,650
Amounts due to subsidiaries	29	**239,019**	6,082,732
Amounts due to related companies	30	**673,985**	592,156
Bank borrowings – due within one year	32	**4,408,000**	5,908,000
		6,123,982	13,630,538
Net current assets		**1,159,818**	6,882,158
Total assets less current liabilities		**336,249,336**	339,857,557

Statement of Financial Position

At 31st March, 2012

	NOTES	**2012** HK$	2011 HK$
Capital and reserves			
Share capital	33	**48,884,268**	48,884,268
Reserves	34	**264,376,168**	267,545,389
		313,260,436	316,429,657
Non-current liabilities			
Provision for long service payments	36	**895,900**	1,176,900
Bank borrowings – due after one year	32	**22,093,000**	22,251,000
		22,988,900	23,427,900
		336,249,336	339,857,557

DEREK CHIU
DIRECTOR

DESMOND CHIU
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31st March, 2012

	Share capital HK$	Share premium HK$	Share option reserve HK$	Capital redemption reserve HK$ (Note 34a)	Property revaluation reserve HK$	Translation reserve HK$	Special reserve HK$ (Note 34b)	Accumulated losses HK$	Total HK$
At 1st April, 2010	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
Profit for the year	–	–	–	–	–	–	–	5,380,682	5,380,682
Exchange differences arising on translation of foreign operations	–	–	–	–	–	645,283	–	–	645,283
Total comprehensive income for the year	–	–	–	–	–	645,283	–	5,380,682	6,025,965
Eliminate the Company's prior year loss against special reserve	–	–	–	–	–	–	(13,096,674)	13,096,674	–
At 31st March, 2011	**48,884,268**	**210,865,965**	**1,433,663**	**28,990,000**	**2,938,532**	**(3,375,629)**	**41,613,597**	**(29,054,763)**	**302,295,633**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,006,580**	**10,006,580**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**499,117**	**-**	**-**	**499,117**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**499,117**	**-**	**10,006,580**	**10,505,697**
Transfer to retained earnings upon disposal of investment property previously held for owner occupation	**-**	**-**	**-**	**-**	**(2,938,532)**	**-**	**-**	**2,938,532**	**-**
Share-based payment expenses	**-**	**-**	**631,800**	**-**	**-**	**-**	**-**	**-**	**631,800**
Eliminate the Company's prior year loss against special reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(15,357,836)**	**15,357,836**	**-**
At 31st March, 2012	**48,884,268**	**210,865,965**	**2,065,463**	**28,990,000**	**-**	**(2,876,512)**	**26,255,761**	**(751,815)**	**313,433,130**

Consolidated Statement of Cash Flows

For the year ended 31st March, 2012

	2012 HK$	2011 HK$
Operating activities		
Profit before taxation	**13,426,334**	5,879,876
Adjustments for:		
Increase in fair value of investment properties	**(20,720,780)**	(20,885,416)
Share of results of associates	**(448,172)**	(609,767)
Share of result of a jointly controlled entity	**(2,540,240)**	(1,265,150)
Decrease (increase) in fair value of held-for-trading investments	**1,499,656**	(635,626)
Imputed interest income from loan to a jointly controlled entity	**(293,484)**	(274,356)
Interest income	**(14,009)**	(4,499)
Depreciation of property, plant and equipment	**8,684,016**	8,482,321
Finance costs	**1,053,400**	1,440,157
Recovery of bad and doubtful debts	**(224,266)**	(343,108)
Loss on disposal of property, plant and equipment	**94,773**	40,212
Share-based payment expenses	**631,800**	–
Gain on disposal of paintings	**(330,838)**	–
Decrease in provision for long service payments	**(64,064)**	–
Operating cash flows before movements in working capital	**754,126**	(8,175,356)
Increase in held-for-trading investments	**(8,164,186)**	(2,257,929)
(Increase) decrease in inventories	**(80,068)**	3,640
Increase in trade receivables	**(253,945)**	(33,852)
Decrease in other receivables, deposits and prepayment	**1,205,624**	996,460
Decrease in trade and other payables	**(2,046,947)**	(1,857,852)
(Decrease) increase in receipt in advance	**(2,913,426)**	2,465,161
(Decrease) increase in rental deposits received	**(491,538)**	898,446
Decrease in amount due to a non-controlling shareholder	**(123,365)**	(237,445)
Net cash used in operating activities	**(12,113,725)**	(8,198,727)

Consolidated Statement of Cash Flows

For the year ended 31st March, 2012

	2012 HK$	2011 HK$
Investing activities		
Proceeds from disposal of an investment property	**20,500,000**	33,990,000
Proceeds from disposal of paintings	**629,621**	–
Dividend received from an associate	**2,100,000**	600,000
Decrease in pledged bank deposits	**–**	17,306
Interest received	**14,009**	4,499
Acquisition of property, plant and equipment	**(3,714,317)**	(2,423,879)
Additions to investment properties	**–**	(202,284)
Repayment from (advance to) an associate	**213,562**	(10,000)
Advance to a jointly controlled entity	**(278)**	(277)
Net cash from investing activities	**19,742,597**	31,975,365
Financing activities		
New bank borrowings raised	**5,000,000**	6,680,000
Repayment of bank borrowings	**(12,825,795)**	(24,066,687)
Interest paid on bank borrowings	**(1,053,400)**	(1,440,157)
Repayment to an associate	**(762,000)**	(377,000)
Advance from related companies	**81,829**	157,640
Net cash used in financing activities	**(9,559,366)**	(19,046,204)
Net (decrease) increase in cash and cash equivalents	**(1,930,494)**	4,730,434
Cash and cash equivalents brought forward	**8,865,596**	4,145,215
Effect of foreign exchange rate changes	**(50,735)**	(10,053)
Cash and cash equivalents carried forward, represented by bank balances and cash	**6,884,367**	8,865,596

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 an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries are set out in note 15.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 & HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

[1] Effective for annual periods beginning on or after 1st July, 2011
[2] Effective for annual periods beginning on or after 1st January, 2013
[3] Effective for annual periods beginning on or after 1st January, 2015
[4] Effective for annual periods beginning on or after 1st January, 2012
[5] Effective for annual periods beginning on or after 1st July, 2012
[6] Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's financial statements for the financial period beginning 1st April, 2015 and may have an impact on measurement and classification of the Group's available-for-sale investments, which will be measured at fair value. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for financial periods beginning on or after 1st April, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the financial period beginning 1st April, 2013. However, the application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April, 2013. However, the application of the standard may not have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1st January, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods would result in adjustments to the amounts of deferred tax liabilities recognised regarding the Group's investment properties. Had the amendments been adopted in the year ended 31st March, 2012 and the presumption is not rebutted, the Group's deferred tax liabilities of HK$8,991,481, HK$8,699,946 and HK$12,108,900 at 1st April, 2010, 31st March, 2011 and 31st March, 2012, respectively, would have been eliminated. In addition, the Group's interest in jointly controlled entity at 1st April, 2010, 31st March, 2011 and 31st March, 2012 would have been increased by nil, HK$305,216 and HK$866,216, respectively, due to the elimination of deferred tax on the revaluation increase on the investment property of the jointly controlled entity. Accordingly, the profit for the year ended 31st March, 2012 would have been increased by HK$3,969,954 and the retained profits at 1st April, 2010, 31st March, 2011 and 31st March, 2012 would have been increased by HK$8,991,481, HK$9,005,162 and HK$12,975,116, respectively.

Except as disclosed above, the directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 in full on consolidation.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially 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 property are included in profit or loss for the period in which they arise.

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 profit or loss in the period in which the item is derecognised.

Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

The results of a subsidiary are accounted for by the Company on the basis of dividends received and receivable during the year.

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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 or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Investment in associates is included in the Company's statement of financial position at cost less any identified impairment loss.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entity *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. 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 or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

Investment in jointly controlled entity is included in the Company's statement of financial position of cost less any identified impairment loss.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Paintings

Paintings are stated at cost less any identified impairment loss.

Impairment on tangible assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income 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.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries and associates, loan to a jointly controlled entity, bank deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets. Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 losses 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to an associate, related companies, a non-controlling shareholder and subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity 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 of obligation under the contract, as 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 the revenue recognition policy.

Derecognition
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*
Revenue from the operation of hotels is recognised when services are rendered.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases.

Dividend income from investments is recognised when the Group's right to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Equity-settled share-based payment
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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the 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.

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 from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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 in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

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 statement of comprehensive income 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 been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 associated with investments in subsidiaries and associates, and interest in a jointly controlled entity, 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make the following judgement and key sources of estimation uncertainty at the end of each reporting period. The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 14 to the consolidated financial statements. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain reported in the consolidated statement of comprehensive income.

Deferred taxation

As at 31st March, 2012, a deferred tax asset in relation to unused tax losses of approximately HK$10,470,000 (2011: HK$12,160,000) has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of approximately HK$155,224,000 at 31st March, 2012 (2011: HK$152,789,000) 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 profit or loss for the period in which such a recognition or reversal takes place.

5. REVENUE AND SEGMENT INFORMATION

Revenue from major business operations

An analysis of the Group's revenue representing the aggregate amount of income from hotel operations and gross rental income from property letting is as follows:

	2012	2011
	HK$	HK$
Income from hotel operations		
– Hotel room revenue	**15,072,879**	13,767,662
– Food and beverages	**9,431,989**	8,412,832
Gross rental income from properties	**14,512,336**	8,775,417
	39,017,204	30,955,911

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Information reported to the chief operating decision maker, who are the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance is based on the financial information of subsidiaries engaged in different operations at different locations.

The Group's operating and reportable segments are as follows:

- Hotel operation in Hong Kong
- Hotel operation and property letting in The People's Republic of China, excluding Hong Kong ("PRC")
- Property investment in Hong Kong
- Securities investment and trading

Segment revenues and results

The following is an analysis of the Group's revenue and profit (loss) by operating and reportable segments:

	2012				
	Hotel operation in Hong Kong HK$	Hotel operation and property letting in PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
Revenue	21,279,888	17,737,316	–	–	39,017,204
Segment profit (loss)	4,606,310	1,681,358	23,379,514	(471,721)	29,195,461
Unallocated gains and losses					250,073
Unallocated expenses					(15,413,972)
Unallocated finance costs					(1,053,400)
Share of results of associates					448,172
Profit before taxation					13,426,334
Taxation					(3,419,754)
Profit for the year					10,006,580

Notes to the Consolidated Financial Statements

For the Year ended 31st March, 2012

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenues and results *(Continued)*

	2011				
	Hotel operation in Hong Kong HK$	Hotel operation and property letting in PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Total HK$
Revenue	17,064,613	13,891,298	–	–	30,955,911
Segment profit (loss)	1,856,330	(2,492,990)	21,374,691	985,030	21,723,061
Unallocated gains and losses					4,499
Unallocated expenses					(15,433,613)
Unallocated finance costs					(1,023,838)
Share of results of associates					609,767
Profit before taxation					5,879,876
Taxation					(499,194)
Profit for the year					5,380,682

The accounting policies adopted in preparing the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit (loss) from each segment without allocation of certain other gains and losses, corporate expenses including auditor's remuneration, directors' remuneration and administrative staff costs, unallocated finance costs, share of results of associates and taxation.

Revenue from an external customer included in hotel operation and property letting in the PRC segment amounting to HK$7,717,936 (2011: HK$5,055,206) contributes over 10% of the total revenue of the Group.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	2012	2011
	HK$	HK$
Segment assets		
Hotel operation in Hong Kong	**27,245,554**	26,748,673
Hotel operation and property letting in the PRC	**45,457,043**	49,249,372
Property investment in Hong Kong	**100,577,648**	98,443,368
Securities investment and trading	**24,000,673**	17,549,135
Total segment assets	**197,280,918**	191,990,548
Available-for-sale investments	**159,188,314**	159,188,314
Paintings	**3,921,217**	4,220,000
Other unallocated assets	**25,289,648**	29,253,178
Consolidated assets	**385,680,097**	384,652,040
Segment liabilities		
Hotel operation in Hong Kong	**3,245,561**	2,778,276
Hotel operation and property letting in the PRC	**11,528,946**	15,754,595
Property investment in Hong Kong	**12,147,602**	15,725,643
Securities investment and trading	**100,000**	100,000
Total segment liabilities	**27,022,109**	34,358,514
Bank borrowings	**42,581,000**	44,239,000
Other unallocated liabilities	**2,643,858**	3,758,893
Consolidated liabilities	**72,246,967**	82,356,407

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than paintings, interests in associates, available-for-sale investments, amounts due from associates and other unallocated corporate assets.
- all liabilities are allocated to reportable segments other than amount due to an associate and related companies, bank borrowings (other than those specific for financing the property investment), provision for long service payments (other than those staff employed for hotel operation) and other unallocated corporate liabilities.

Other segment information

The following segment information is included in the measurement of segment profit or loss and segment assets and segment liabilities:

2012	Hotel operation in Hong Kong HK$	Hotel operation and property letting in PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Segment total HK$	Unallocated HK$	Total HK$
Capital additions	2,748,610	500,133	–	–	3,248,743	465,574	3,714,317
Depreciation of property, plant and equipment	2,962,214	5,017,959	–	–	7,980,173	703,843	8,684,016
Increase in fair value of investment properties	–	–	20,720,780	–	20,720,780	–	20,720,780
Finance costs	–	–	–	–	–	1,053,400	1,053,400
Share of result of a jointly controlled entity	–	–	2,540,240	–	2,540,240	–	2,540,240
Decrease in fair value of held-for-trading investments	–	–	–	1,499,656	1,499,656	–	1,499,656
Interest in a jointly controlled entity	–	–	5,193,998	–	5,193,998	–	5,193,998

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information *(Continued)*

2011	Hotel operation in Hong Kong HK$	Hotel operation and property letting in PRC HK$	Property investment in Hong Kong HK$	Securities investment and trading HK$	Segment total HK$	Unallocated HK$	Total HK$
Capital additions	967,864	1,419,563	202,284	–	2,589,711	36,452	2,626,163
Depreciation of property, plant and equipment	2,977,768	4,818,799	–	–	7,796,567	685,754	8,482,321
Increase in fair value of investment properties	–	–	20,885,416	–	20,885,416	–	20,885,416
Finance costs	–	–	416,319	–	416,319	1,023,838	1,440,157
Share of result of a jointly controlled entity	–	–	1,265,150	–	1,265,150	–	1,265,150
Increase in fair value of held-for-trading investments	–	–	–	635,626	635,626	–	635,626
Interest in a jointly controlled entity	–	–	1,830,336	–	1,830,336	–	1,830,336

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers and the Group's non-current assets by geographical location are analysed below.

	Revenue from external customers		Non-current assets *(Note)*	
	2012 HK$	2011 HK$	**2012 HK$**	2011 HK$
Hong Kong	**21,279,888**	17,064,613	**147,312,180**	125,652,080
PRC	**17,737,316**	13,891,298	**44,195,374**	47,656,833
	39,017,204	30,955,911	**191,507,554**	173,308,913

Note: Non-current assets exclude available-for-sale investments.

6. OTHER GAINS AND LOSSES

	2012 HK$	2011 HK$
Other gains and losses include:		
(Decrease) increase in fair value of held-for-trading investments	**(1,499,656)**	635,626
Recovery of bad and doubtful debts	**224,266**	343,108
Write off of property, plant and equipment	**(94,773)**	(40,212)
Gain on disposal of paintings	**330,838**	–

7. FINANCE COSTS

	2012 HK$	2011 HK$
Interests on bank borrowings:		
Wholly repayable within five years	**424,903**	784,951
Not wholly repayable within five years	**628,497**	655,206
	1,053,400	1,440,157

8. PROFIT BEFORE TAXATION

	2012 HK$	2011 HK$
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**8,684,016**	8,482,321
Auditor's remuneration	**913,366**	978,953
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	**12,165,741**	11,766,922
Retirement benefits cost	**866,444**	884,809
Share-based payment expenses	**631,800**	–
	13,663,985	12,651,731
Operating lease rentals in respect of rented premises	**6,115,259**	5,920,259
Share of taxation of associates (included in share of results of associates)	**81,221**	121,545
Share of taxation of a jointly controlled entity (included in share of result of a jointly controlled entity)	**561,000**	305,216
Cost of inventories recognised as an expense	**4,198,650**	3,894,564
and crediting:		
Net rental income from properties *(Note)*	**9,156,000**	3,625,181
Dividend income from held-for-trading investments	**1,027,935**	349,404
Imputed interest income from loan to a jointly controlled entity	**293,484**	274,356
Bank interest income	**13,925**	4,458
Other interest income	**84**	41

Note: Net rental income is arrived at after deducting:

- outgoings from properties that generated rental income during the year of HK$5,181,347 (2011: HK$4,986,347).
- outgoings from properties that did not generate rental income during the year of HK$174,989 (2011: HK$163,889).

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

Name of directors	Fees HK$	Salaries and other benefits HK$	Retirement benefit schemes contributions HK$	Share-based payments HK$	Performance related bonus HK$	Total HK$
2012						
Mr. Deacon Te Ken Chiu	20,000	–	–	–	–	20,000
Mr. Derek Chiu	10,000	1,001,477	12,000	631,800	700,000	2,355,277
Ms. Margaret Chiu	10,000	132,167	12,000	–	–	154,167
Madam Chiu Ju Ching Lan	10,000	360,000	–	–	–	370,000
Mr. Dick Tat Sang Chiu	10,000	–	–	–	–	10,000
Mr. David Chiu (retired on 12th August, 2011)	3,634	–	–	–	–	3,634
Mr. Dennis Chiu	10,000	–	–	–	–	10,000
Mr. Duncan Chiu (resigned on 9th May, 2012)	10,000	–	–	–	–	10,000
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. Desmond Chiu	10,000	–	–	–	–	10,000
	453,634	1,493,644	24,000	631,800	700,000	3,303,078

9. DIRECTORS' EMOLUMENTS *(Continued)*

Name of directors	Fees HK$	Salaries and other benefits HK$	Retirement benefit schemes contributions HK$	Share-based payments HK$	Performance related bonus HK$	Total HK$
2011						
Mr. Deacon Te Ken Chiu	20,000	–	–	–	–	20,000
Mr. Derek Chiu	10,000	962,981	12,000	–	700,000	1,684,981
Ms. Margaret Chiu	10,000	162,823	12,000	–	–	184,823
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	90,000	4,500	–	–	104,500
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. Desmond Chiu (appointed on 6th May, 2010)	9,041	–	–	–	–	9,041
Mr. Chan Chi Hing (resigned on 26th November, 2010)	6,548	–	–	–	–	6,548
	465,589	1,575,804	28,500	–	700,000	2,769,893

Other benefits of Mr. Derek Chiu include the estimated rateable value of approximately HK$655,800 (2011: HK$596,400) of certain leasehold land and building of the Group occupied as his residence.

No emolument was paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office in both years ended 31st March, 2012 and 2011.

No directors waived any of their emoluments in both years ended 31st March, 2012 and 2011.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors whose emoluments are disclosed in note 9 above. The emoluments of the remaining three (2011: three) individuals whose emoluments are less than HK$1,000,000 were as follows:

	2012 **HK$**	2011 HK$
Salaries and other benefits	**1,313,922**	1,253,844
Retirement benefit schemes contributions	**36,000**	36,000
	1,349,922	1,289,844

11. TAXATION

Tax charge for both years represents deferred tax, details of which are set out in note 35.

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or has tax losses brought forward from prior years to offset the assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary is 25%. No provision for PRC Enterprise income tax is required as the subsidiary operating in the PRC has tax losses brought forward from prior years to offset the assessable profits.

11. TAXATION *(Continued)*

Tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK$	2011 HK$
Profit before taxation	**13,426,334**	5,879,876
Tax at the Hong Kong Profits Tax rate of 16.5% (note)	**2,215,345**	970,180
Tax effect of share of results of associates	**(73,948)**	(100,612)
Tax effect of share of result of a jointly controlled entity	**(419,139)**	(208,750)
Tax effect of expenses not deductible for tax purposes	**505,314**	381,613
Tax effect of income not taxable for tax purposes	**(274,341)**	(180,258)
Reversal of deferred tax due to change in expected manner of recovery of an investment property	**–**	(2,745,402)
Tax effect of tax losses not recognised	**1,880,785**	2,732,656
Tax effect of utilisation of tax losses previously not recognised	**(1,385,431)**	(272,554)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**354,806**	(135,664)
Others	**616,363**	57,985
Tax charge for the year	**3,419,754**	499,194

Note: Hong Kong Profits Tax is used as the domestic tax rate as Hong Kong is the place where the operation of the Group is substantially based.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year of HK$10,006,580 (2011: HK$5,380,682) and the number of shares as calculated below.

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**488,842,675**	488,842,675
Effect of dilutive potential ordinary shares from share options	**–**	1,357
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**488,842,675**	488,844,032

There are no dilution effects for outstanding share options as the exercise price of the share options were higher than the average market price for the year ended 31st March, 2012.

13. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP						THE COMPANY
	Building in PRC under medium-term lease	Leasehold land and buildings in Hong Kong under medium-term lease: Hotel property	Leasehold land and buildings in Hong Kong under medium-term lease: Other properties	Leasehold improvements	Furniture, fixtures, equipment, motor vehicles and others	Total	Furniture, fixtures, equipment, motor vehicles and others
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
COST							
At 1st April, 2010	91,533,322	37,323,408	21,789,442	9,000,334	37,663,932	197,310,438	2,326,082
Exchange adjustments	2,108,136	–	–	272,264	428,694	2,809,094	–
Additions	–	–	–	1,357,525	1,066,354	2,423,879	36,452
Disposals	–	–	–	–	(191,362)	(191,362)	(59,673)
At 31st March, 2011	93,641,458	37,323,408	21,789,442	10,630,123	38,967,618	202,352,049	2,302,861
Exchange adjustments	1,984,945	–	–	309,443	401,222	2,695,610	–
Additions	–	–	–	828,042	2,886,275	3,714,317	33,665
Disposals	–	–	–	(255,549)	(434,869)	(690,418)	(432,007)
At 31st March, 2012	95,626,403	37,323,408	21,789,442	11,512,059	41,820,246	208,071,558	1,904,519
DEPRECIATION							
At 1st April, 2010	48,165,903	19,905,832	3,729,448	3,293,751	26,419,816	101,514,750	1,058,861
Exchange adjustments	1,191,153	–	–	27,163	390,044	1,608,360	–
Provided for the year	3,770,759	746,472	482,911	616,983	2,865,196	8,482,321	230,859
Eliminated on disposals	–	–	–	–	(151,150)	(151,150)	(39,009)
At 31st March, 2011	53,127,815	20,652,304	4,212,359	3,937,897	29,523,906	111,454,281	1,250,711
Exchange adjustments	1,207,105	–	–	49,704	379,859	1,636,668	–
Provided for the year	3,906,877	746,472	482,911	650,306	2,897,450	8,684,016	189,096
Eliminated on disposals	–	–	–	(255,549)	(340,096)	(595,645)	(339,809)
At 31st March, 2012	58,241,797	21,398,776	4,695,270	4,382,358	32,461,119	121,179,320	1,099,998
CARRYING VALUES							
At 31st March, 2012	37,384,606	15,924,632	17,094,172	7,129,701	9,359,127	86,892,238	804,521
At 31st March, 2011	40,513,643	16,671,104	17,577,083	6,692,226	9,443,712	90,897,768	1,052,150

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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	Over the shorter of the terms of the lease, or 50 years
Leasehold improvements	33.3%
Furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

14. INVESTMENT PROPERTIES

	THE GROUP	
	2012	2011
	HK$	HK$
At 1st April	**66,479,120**	99,881,420
Increase in fair value recognised in consolidated statement of comprehensive income	**20,720,780**	20,885,416
Additions	**–**	202,284
Disposals	**–**	(33,990,000)
Reclassify to assets held for sale	**–**	(20,500,000)
At 31st March	**87,199,900**	66,479,120

The investment properties which are stated at fair value at the end of the reporting period are situated in Hong Kong held under medium-leases.

The fair values of the Group's investment properties at 31st March, 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Chung, Chan & Associates and Lanbase Surveyors Limited, respectively, independent qualified professional valuers not connected with the Group. 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.

Certain investment properties with a carrying value of HK$72,083,000 (2011: HK$55,858,000) are registered in the name of a company controlled by an executive director, and his family (the "Chiu Family") as trustee for the Group.

All of the Group's property interests which are 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.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$	HK$
Unlisted shares	**95,365,827**	94,021,187
Less: Impairment loss recognised	**(46,008,608)**	(46,008,608)
	49,357,219	48,012,579

Cost of investments in subsidiaries includes an amount of HK$6,156,609 (2011: HK$4,811,969) which represents fair value adjustment on interest free loans advanced, which are not expected to be repayable within one year, to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital*	Proportion of issued share capital/ registered capital held by the Company		Principal activities
		2012	2011	
		%	%	
Direct subsidiaries				
Alabama Investment Company Limited	HK$9,000	**97.8**	97.8	Hotel operation
Kingwell Century Limited	HK$2	**100**	100	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK$25,200,000	**100**	100	Property investment
Mainstar International Limited	HK$1	**100**	100	Property investment
Neochem Development Limited	HK$100	**100**	100	Property sub-letting
Rex Entertainment Limited	HK$100,000	**100**	100	Property investment
Sintex Holdings Limited	US$1	**100**	100	Investment holding

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital*	Proportion of issued share capital/ registered capital held by the Company		Principal activities
		2012	2011	
		%	%	
Indirect subsidiaries				
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180* Paid up registered capital	**90**	90	Property investment and service apartments operation
Oneyon Limited	HK$2	**100**	100	Investment holding
Tradeland Investments Limited	HK$250,000	**100**	100	Investment holding
Yuk Sue Investment Limited	HK$2	**100**	100	Securities trading and investment

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of principal subsidiaries which have a significant impact on the results or assets of the Group.

All subsidiaries are incorporated and operating in Hong Kong except for Sintex Holdings Limited which is incorporated in the British Virgin Islands, 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.

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Unlisted shares, at cost	**212,578,511**	212,578,512	**212,578,509**	212,578,510
Share of post-acquisition results and reserves, net of dividends received	**(212,455,598)**	(211,403,771)	**–**	–
Impairment loss recognised	**–**	–	**(212,578,509)**	(212,578,509)
	122,913	1,174,741	**–**	1

The financial year end date of certain associates is 31st December which is different from that of the Company. For the purpose of applying the equity method of accounting, their financial statements for the year ended 31st December, 2011 have been adopted and adjusted for the effects of significant transactions that occur between 31st December, 2011 to 31st March, 2012.

Particulars of the major associate 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
			2012	2011	
			%	%	
Bolan Holdings N.V.	Netherlands Antilles/ Australia	US$100 Common shares US$6,000 Non-cumulative 5% preference shares	**45**	45	Property investment

16. INTERESTS IN ASSOCIATES *(Continued)*

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

Results for the year ended 31st March

	2012	2011
	HK$	HK$
Revenue	**2,753,090**	6,592,095
Profit for the year	**1,202,374**	680,389
Group's share of results of associates for the year	**448,172**	609,767

Financial position at 31st March

	2012	2011
	HK$	HK$
Total assets	**54,963,092**	59,682,055
Total liabilities	**(68,376,032)**	(71,350,345)
Net liabilities	**(13,412,940)**	(11,668,290)
Group's share of net assets of associates	**122,913**	1,174,741

The Group has discontinued recognising its share of loss of an associate. The amounts of unrecognised share of result of this associate, extracted from the relevant audited financial statements of the relevant associate for the year are as follows:

	2012	2011
	HK$	HK$
Unrecognised share of profit (loss) of an associate for the year	**170,990**	(242,615)
Accumulated unrecognised share of loss of an associate	**(25,549,526)**	(25,720,516)

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Unlisted investment	**1,453,100**	629,678	**1,453,100**	629,678
Share of post-acquisition result	**3,740,898**	1,200,658	**–**	–
	5,193,998	1,830,336	**1,453,100**	629,678

Cost of investments in jointly controlled entity includes an amount of HK$1,453,050 (2011: HK$629,628) which represents fair value adjustment on interest-free loans advanced, which are not expected to be repayable within one year, to the jointly controlled entity.

The interest in a jointly controlled entity represents a 50% (2011: 50%) interest in the issued capital of Sino Noble Development Limited ("Sino Noble"), a company incorporated in Hong Kong. Sino Noble is principally engaged in property investment.

The financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using the equity method is set out below:

	2012	2011
	HK$	HK$
Non-current assets	**14,250,000**	10,850,000
Current liabilities	**8,189,786**	8,714,448
Non-current liabilities	**866,216**	305,216
Income	**3,400,000**	1,850,000
Expenses	**859,760**	584,850

18. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$	HK$
Amounts due from subsidiaries	**293,534,346**	298,523,323
Less: Allowance for doubtful debts	**(179,184,524)**	(174,184,524)
	114,349,822	124,338,799
Less: Amount due within one year shown under current assets	**–**	(11,011,107)
	114,349,822	113,327,692

The directors review the carrying value of the amounts due from subsidiaries at the end of each reporting period. The recoverable amount of the amounts due from subsidiaries is estimated by directors based on the expected future cash flows generated from the operation of these subsidiaries.

Of the total amount due from subsidiaries, the Company considers that an aggregate amount of HK$114,349,822 (2011: HK$113,327,692) is not expected to be repaid within the next twelve months from the end of the reporting period. Accordingly, these were classified as non-current assets.

Amounts due from subsidiaries are unsecured and have no fixed repayment terms. An aggregate amount of HK$82,687,781 (2011: HK$82,637,631) bears interest at Hong Kong Dollar Prime Rate minus 4% and the remaining amount of HK$31,662,041 (2011: HK$41,701,168) is interest-free. The effective interest of the interest bearing amount for the year is 1.25% (2011: 1.25%) per annum.

Of the total interest-free balances, HK$31,662,041 (2011: HK$30,690,061), which are not expected to be repaid within the next twelve months from the end of the reporting period, are carried at amortised cost calculated at an effective interest rate of 3.00% (2011: 3.00%) per annum.

19 LOAN TO A JOINTLY CONTROLLED ENTITY

The loan to the jointly controlled entity is unsecured, interest-free and have no fixed repayment terms. The loan is not expected to be repaid within twelve months from the end of the reporting period and is carried at amortised cost calculated at an effective interest rate of 3.00% (2011: 3.00%) per annum.

20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Unlisted equity securities, at cost	**159,188,314**	159,188,314	**157,026,351**	157,026,351

The unlisted equity securities are measured at cost less impairment, if any, at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Particulars of the available-for-sale investments are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group		Place of incorporation	Principal activities
	2012	2011		
	%	%		
Warwick Holdings S.A.	**16.09**	16.09	Luxemburg	Investment holding, hotel investment and operation mainly in Europe and United States of America

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

21. PAINTINGS

Paintings are stated at cost less impairment at the end of the reporting period. The impairment assessment was made by the directors of the Company at the end of each reporting period with reference to the open market values of those paintings.

22. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Equity securities listed in Hong Kong, at fair value	**23,514,495**	16,849,965	**278,000**	370,000

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

23. INVENTORIES

The amount represents food and beverage and other consumables of which HK$364,249 (2011: HK$339,315) are stated at net realisable value.

24. TRADE RECEIVABLES

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

The following is an aged analysis of trade debtors based on the invoice date, net of allowance for doubtful debts.

	THE GROUP	
	2012	2011
	HK$	HK$
0-30 days	**448,969**	87,512
31-60 days	**102,849**	8,408
Over 60 days	**43,630**	21,317
	595,448	117,237

Trade receivables aged over 30 days are past due but are not impaired.

Allowance for doubtful debts of HK$510,545 (2011: HK$510,545) is made on trade receivables that have been past due and are generally not recoverable. The amounts are written off as uncollectible during the year. No further provision has been made for the current year.

24. TRADE RECEIVABLES *(Continued)*

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the reporting date. There is no concentration of credit risk due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

25. AMOUNTS DUE FROM ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE

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

26. PLEDGED BANK DEPOSITS/BANK BALANCES

The pledged bank deposits carry interest at the prevailing market rates ranging from 0.04% to 0.50% (2011: 0.04% to 0.50%) per annum and are pledged to secure banking facilities granted to the Group.

Bank balances carry interest at prevailing market rates of 0.01% (2011: 0.01%) per annum.

27. INVESTMENT PROPERTY HELD FOR SALE

On 25th February, 2011, a subsidiary entered into an agreement for the disposal of an investment property at a consideration of HK$20,500,000 of which deposit of HK$800,000 had been received and placed with a stakeholder classified under other receivables, deposits and prepayment. The transaction was completed on 26th April, 2011.

At 31st March, 2011, the investment property was stated at fair value which has been arrived at by reference to the consideration received on disposal.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors of HK$1,603,462 (2011: HK$1,739,981). The following is an aged analysis of the trade creditors based on invoice date:

	THE GROUP	
	2012	2011
	HK$	HK$
0-30 days	**609,506**	304,990
31-60 days	**410,836**	278,901
Over 60 days	**583,120**	1,156,090
	1,603,462	1,739,981

The average credit period on purchase of goods is 60 days.

29. AMOUNTS DUE TO SUBSIDIARIES

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

30. AMOUNTS DUE TO RELATED COMPANIES

The amounts are unsecured, interest-free and repayable on demand. The related companies are either controlled or jointly controlled by certain directors of the Company, who are also the substantial shareholders of the Company.

31. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The amount mainly represents rental payable to the non-controlling shareholder for the lease of its properties, which is unsecured, interest-free and repayable on demand.

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Secured	**42,581,000**	48,406,795	**26,501,000**	26,159,000
Unsecured	**–**	2,000,000	**–**	2,000,000
	42,581,000	50,406,795	**26,501,000**	28,159,000
The above borrowings are repayable as follows:				
Within one year	**4,408,000**	12,075,795	**4,408,000**	5,908,000
More than one year but not exceeding two years	**3,908,000**	3,408,000	**3,908,000**	3,408,000
More than two years but not exceeding five years	**27,054,000**	24,804,000	**10,974,000**	8,724,000
More than five years	**7,211,000**	10,119,000	**7,211,000**	10,119,000
	42,581,000	50,406,795	**26,501,000**	28,159,000
Less: Amount due within one year shown under current liabilities	**(4,408,000)**	(12,075,795)	**(4,408,000)**	(5,908,000)
Amount due after one year	**38,173,000**	38,331,000	**22,093,000**	22,251,000

The bank borrowings carry floating-rate interest based on the bank's prime rate and the Hong Kong Interbank Offered Rate ("HIBOR") and the effective interest rates ranged from 1.36% to 3.75% (2011: 1.13% to 3.18%) per annum.

33. SHARE CAPITAL

	2012 HK$	2011 HK$
Authorised:		
750,000,000 ordinary shares of HK$0.1each	**75,000,000**	75,000,000
Issued and fully paid:		
488,842,675 ordinary shares of HK$0.1each	**48,884,268**	48,884,268

Pursuant to a special resolution passed by the shareholders on 1st June, 2007 and the subsequent order of the High Court of the Hong Kong Special Administrative Region granted on 20th July, 2007, capital reduction took effect on 20th July, 2007 whereby both issued and unissued ordinary share capital with par value of HK$1.00 were reduced by HK$0.90 per share to HK$0.10 per share and the nominal value of the issued share capital was reduced by HK$439,958,407 of which an amount of HK$221,897,828 was applied towards eliminating the accumulated losses of the Company as at 31st March, 2006, an amount of HK$100,000,000 was reserved and credited to a special reserve account and the remaining balance of HK$118,060,579 was credited to the share premium account.

The special reserve can be applied for:

(a) capitalisation by the issue of new shares of the Company

(b) eliminating losses, if any, sustained by the Company after 31st March, 2006. Such loss eliminated is to be reversed if the relevant asset, against which impairment loss has been eliminated against this reserve, is realised or revalued at an amount in excess of the amount of provision already made.

The special reserve is undistributable pursuant to section 79C of the Hong Kong Companies Ordinance unless the person entitling to the benefit thereof has agreed otherwise.

34. RESERVES

	Share premium HK$	Share option reserve HK$	Capital redemption reserve HK$ (Note a)	Special reserve HK$ (Note b)	Retained earnings (accumulated losses) HK$	Total HK$
At 1st April, 2010	210,865,965	1,433,663	28,990,000	54,710,271	8,126,557	304,126,456
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(36,581,067)	(36,581,067)
Eliminate prior year loss against special reserve	–	–	–	(13,096,674)	13,096,674	–
At 31st March, 2011	210,865,965	1,433,663	28,990,000	41,613,597	(15,357,836)	267,545,389
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(3,801,021)	(3,801,021)
Share-based payment expenses	–	631,800	–	–	–	631,800
Eliminate prior year loss against special reserve	–	–	–	(15,357,836)	15,357,836	–
At 31st March, 2012	210,865,965	2,065,463	28,990,000	26,255,761	(3,801,021)	264,376,168

a. Capital redemption reserve arose from repurchase and cancellation of the ordinary shares of the Company during the financial years 1994/1995, 1995/1996 and 1997/1998 and represents the nominal value of the shares cancelled.

b. Special reserve arose as a result of reduction of the Company's share capital in the year 2006/07 as detailed in note 33. Special reserve has been utilised to eliminate accumulated losses of the Company. The total losses eliminated against the special reserve up to the end of the reporting period amounted to HK$73,744,239 (2011: HK$58,386,403).

35. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation on investment properties	Tax losses	Total
	HK$	HK$	HK$	HK$
At 1st April, 2010	2,613,504	8,991,481	(3,407,231)	8,197,754
(Credit) charge to profit or loss	(610,100)	(291,535)	1,400,829	499,194
At 31st March, 2011	**2,003,404**	**8,699,946**	**(2,006,402)**	**8,696,948**
(Credit) charge to profit or loss	**(267,378)**	**3,408,954**	**278,178**	**3,419,754**
At 31st March, 2012	**1,736,026**	**12,108,900**	**(1,728,224)**	**12,116,702**

For the purposes of presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities have been offset.

At 31st March, 2012, the Group has unused tax losses of approximately HK$165,694,000 (2011: HK$164,949,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$10,470,000 (2011: HK$12,160,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$155,224,000 (2011: HK$152,789,000) due to the unpredictability of future profit streams.

At 31st March, 2012, the unrecognised tax losses may be carried forward indefinitely, except for an amount of approximately HK$1,683,000 (2011: HK$7,082,000) which would be expired within years 2014 to 2015 (2011: 2011 to 2015). During the year, unrecognised tax losses of approximately HK$1,567,000 had been expired.

At 31st March, 2012, the Company has unused tax losses of approximately HK$59,281,000 (2011: HK$51,732,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All unrecognised tax losses may be carried forward indefinitely.

36. PROVISION FOR LONG SERVICE PAYMENTS

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

37. CONTINGENT LIABILITIES

At 31st March, 2012, the Company has issued financial guarantees of HK$18,000,000 (2011: HK$24,167,795) to banks in respect of banking facilities granted to its subsidiaries, of which HK$16,080,000 (2011: HK$22,247,795) has been utilised by its subsidiaries.

The directors considered that the fair values of the guarantee at its initial recognition and at the end of the reporting period are insignificant on the basis of low default rates. Accordingly, the value of the guarantee has not been recognised in the Company's statement of financial position.

38. CAPITAL COMMITMENT

At 31st March 2011, the Group had contracted but not provided for capital expenditure in respect of property, plant and equipment amounting to approximately HK$1,803,000.

39. PLEDGE OF ASSETS

The secured bank borrowings are secured by assets of the Group analysed as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Property, plant and equipment	**41,266,285**	41,934,784	**–**	–
Investment property held for sale	**–**	20,500,000	**–**	–
Bank deposits	**2,118,000**	2,118,000	**2,000,000**	2,000,000
	43,384,285	64,552,784	**2,000,000**	2,000,000

40. OPERATING LEASES

The Group as lessee:

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

	THE GROUP	
	2012	2011
	HK$	HK$
Within one year	**6,117,347**	4,986,347
In the second to fifth year inclusive	**21,367,002**	19,945,388
Over five years	**38,860,104**	42,383,949
	66,344,453	67,315,684

40. OPERATING LEASES *(Continued)*

The Group as lessee: *(Continued)*

A subsidiary entered into an agreement with its non-controlling shareholder for the lease of its properties for a period of twenty-eight years at a fixed rent of RMB4,200,000 per year. The lease will expire on 30th September, 2024. Rental expenses for the year amounted to HK$5,181,347 (2011: HK$4,986,347).

The remaining lease is negotiated for a term of two years with fixed rental over the lease term.

The Group as lessor:

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2012	2011
	HK$	HK$
Within one year	**2,026,791**	4,652,157

The properties have committed tenants for a term of one to five years (2011: one to five years).

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong commencing from December 2000. The assets of the Scheme 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 Scheme or HK$1,000 per month, whichever is the lower.

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

42. RELATED PARTY TRANSACTIONS

(a) During the year, the Group incurred rental expenses amounting to HK$740,602 (2011: HK$933,912) to an associate for the lease of its office premises.

(b) The Company provided guarantee for banking facilities granted to the subsidiaries as disclosed in note 37.

(c) Remuneration to the key management personnel comprising the directors and three (2011: three) highest paid employees are disclosed in notes 9 and 10, respectively. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Balances with subsidiaries, associates, jointly controlled entity and related companies are set out in the Group's or Company's statement of financial position and related notes.

43. SHARE OPTIONS SCHEME

The share option scheme (the "Scheme") was approved and adopted on 1st June, 2007 for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business associates or any other person who will contribute or have contributed to the Company or any of its subsidiaries. Under the 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.

Without prior approval from the Company's shareholders, (a) the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time; (b) 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.

Options vested immediately 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 shares.

During the year ended 31st March, 2012, additional share options of 4,500,000 were granted by the Company to a director at an initial exercise price of HK$0.2498 per share.

At 31st March, 2012, the number of shares options held by the directors and employees remained outstanding under the Scheme was 14,000,000 (2011: 9,500,000), which, if exercise in full, the new shares issued would represent 3% (2011: 2%) of the enlarged capital of the Company.

43. SHARE OPTIONS SCHEME *(Continued)*

Details of the Company's share options held by employees (including directors) are as follows:

Date of grant	Exercise price per share	Number of options outstanding at 31st March, 2012		Exercisable period
		Directors	Employees	
	HK$			
30th December, 2009	0.2820	3,000,000	5,000,000	30th December, 2009 to 29th December, 2019
24th February, 2010	0.2650	–	1,500,000	24th February, 2010 to 23rd February, 2020
15th April, 2011	0.2498	4,500,000	–	15th April, 2011 to 14th April, 2021
		7,500,000	6,500,000	

No share options were exercised, cancelled or lapsed during the two years ended 31st March, 2012.

The estimated fair values of the options at the dates of grant of the options are HK$0.153, HK$0.139 and HK$0.1404 respectively.

The fair values of share options granted on 15th April, 2011 were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

Closing price at the date of grant	HK$0.2400
Exercise price	HK$0.2498
Risk-free rate	2.74%
Expected life	10 years
Nature of the share options	Call
Expected volatility	61.84%
Expected dividend yield	Nil
Early exercise behaviour	280%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate.

The Group recognised share-based payment expenses of HK$631,800 for the year ended 31st March, 2012 in relation to share options granted by the Company.

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 shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the bank borrowings less bank balances and cash and equity attributable to owners of the Company, 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 daily operation to minimise finance costs. The Group will balance its overall capital structure through the payment of dividends, as well as raising new debt or repayment 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		THE COMPANY	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Financial assets				
Loans and receivables (including cash and cash equivalents)	**17,857,869**	21,526,071	**129,334,490**	141,969,194
Held-for-trading investments, at fair value	**23,514,495**	16,849,965	**278,000**	370,000
Available-for-sale investments, at cost	**159,188,314**	159,188,314	**157,026,351**	157,026,351
Financial liabilities				
Amortised cost	**51,522,270**	62,222,878	**27,414,004**	34,833,888

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The management of the Group and the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. These risks include market risk (including 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 risks or the manner in which they manage and measure the risks.

(i) Interest rate risk management

The Group and the Company have exposures to cash flow interest rate risk as their bank borrowings carry floating interest at Hong Kong Dollar Prime Rate and HIBOR. In addition, the Company is further exposed to cash flow interest rate risk on the amounts due from subsidiaries. The Group and the Company currently do not have any interest rate hedging policy. However, appropriate measures would be taken to manage interest rate exposure if interest rate fluctuates significantly.

The exposures to interest rates on financial liabilities are detailed in the liquidity risk management section below.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on bank borrowings and amounts due from subsidiaries at the end of the reporting period. The analysis is prepared assuming the amount of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) represents management's assessment of the reasonably possible change in interest rate. The analyses have not included the bank balances as the financial impact of the change in interest rate on the bank balances is insignificant.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$178,000 (2011: HK$210,000) and the Company's post-tax loss would decrease/increase by approximately HK$235,000 (2011: HK$227,000).

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Price risk management

The Group and the Company is exposed to price risks arising from held-for-trading investments and available-for-sale investments. The management manages the exposure to price risk by maintaining a portfolio of investments in various securities.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of held-for-trading investments at the end of the reporting period. If the market price of the held-for-trading investments had been 15% (2011: 15%) higher/lower while all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK$2,945,000 (2011: HK$2,110,000) and the Company's post-tax loss would decrease/increase by approximately HK$35,000 (2011: HK$46,000), as a result of the changes in fair value of the held-for-trading investments. No sensitivity analysis for available-for-sale investments is presented as its exposure to price risk cannot be reasonably determined.

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.

(iii) Credit risk management

As at 31st March, 2012, the Group's 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's statements of financial position; and
- the amount of financial guarantee issued by the Company to subsidiaries that can be called upon in entirety as disclosed in note 37.

The Group's and the Company's credit risk is primarily attributable to loan to a jointly controlled entity and amounts due from 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 the end of the reporting period 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk management *(Continued)*

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

Other than concentration of credit risk on loan to a jointly controlled entity and amounts due from subsidiaries representing approximately 46% (2011: 40%) and 95% (2011: 94%) of the Group's and the Company's loans and receivables, the Group and the Company does not have any other significant concentration of credit risk.

(iv) Liquidity risk management

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. With available banking facilities, the Group manages liquidity risk by 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk management *(Continued)*

Liquidity and interest risk tables (Continued)

THE GROUP

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$	1-2 years HK$	2-5 years HK$	Over 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2012							
Non-derivative instrument							
Non-interest bearing	–	8,941,270	–	–	–	8,941,270	8,941,270
Bank borrowings at variable rate	2.28	5,329,861	4,714,242	28,564,199	7,488,127	46,096,429	42,581,000
		14,271,131	4,714,242	28,564,199	7,488,127	55,037,699	51,522,270

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$	1-2 years HK$	2-5 years HK$	Over 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2011							
Non-derivative instrument							
Non-interest bearing	–	11,816,083	–	–	–	11,816,083	11,816,083
Bank borrowings at variable rate	2.22	12,961,538	4,181,523	26,628,364	10,637,895	54,409,320	50,406,795
		24,777,621	4,181,523	26,628,364	10,637,895	66,225,403	62,222,878

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk management *(Continued)*

Liquidity and interest risk tables (Continued)

THE COMPANY

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$	1-2 years HK$	2-5 years HK$	Over 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2012							
Non-derivative instrument							
Non-interest bearing	–	913,004	–	–	–	913,004	913,004
Bank borrowings at variable rate	2.80	5,089,156	4,473,042	12,020,414	7,488,127	29,070,739	26,501,000
Financial guarantee contracts *(Note b)*	–	18,000,000	–	–	–	18,000,000	–
		24,002,160	4,473,042	12,020,414	7,488,127	47,983,743	27,414,004

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$	1-2 years HK$	2-5 years HK$	Over 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2011							
Non-derivative instrument							
Non-interest bearing	–	6,674,888	–	–	–	6,674,888	6,674,888
Bank borrowings at variable rate	2.88	6,574,606	3,963,285	9,909,178	10,637,895	31,084,964	28,159,000
Financial guarantee contracts *(Note b)*	–	25,765,179	–	–	–	25,765,179	–
		39,014,673	3,963,285	9,909,178	10,637,895	63,525,031	34,833,888

45. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

Notes:

(a) The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(b) The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(v) 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; 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.

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

The only financial instruments of the Group and the Company that are measured at fair value is the held-for-trading investments and is grouped into Level 1 whose fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets with carrying value of HK$23,514,495 (2011: HK$16,849,965) and HK$278,000 (2011: HK$370,000), respectively.

List of Major Properties Held by the Group

Location	Approximate gross floor area/ site areas* (square feet)	Group's interest	Existing land use	Term of lease
Leasehold land and buildings				
Duplex No. 1 on 1/F and 2/F with Garden and Rear Open Yard of House 15 (Dynasty Villa 6) and car park space No. 202, Dynasty Heights, No. 2 Yin Ping Road, Kowloon, Hong Kong	2,592	100.0%	Residential	Medium
Hotel property				
East Bay, Cheung Chau, New Territories, Hong Kong 8443/9000 parts or shares of and in C.C.L. 1147	27,000*	97.8%	Hotel	Medium

List of Major Properties Held by the Group

Location	Approximate gross floor area/ site areas* (square feet)	Group's interest	Existing land use	Term of lease
Investment properties				
Wing On Street, Peng Chau, New Territories, Hong Kong 370/700 parts or shares of and in P.C.L. 415	5,230*	100.0%	Cinema	Medium
Various agricultural lots in Survey District No. 4 in Lai Chi Kok, Kowloon, Hong Kong	278,686*	100.0%	Agricultural land	Medium
Various agricultural lots in DD118, Yuen Long, New Territories, Hong Kong	149,846*	50.0%	Agricultural land	Medium

Financial Summary

RESULTS

	For the year ended 31st March,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	27,047	29,139	26,938	30,956	**39,017**
Profit (loss) before taxation	7,606	(83,344)	10,518	5,880	**13,426**
Taxation	(3,823)	5,351	(1,806)	(499)	**(3,420)**
Profit (loss) for the year attributable to owners of the Company	3,783	(77,993)	8,712	5,381	**10,006**

ASSETS AND LIABILITIES

	At 31st March,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	473,723	397,761	393,091	384,652	**385,680**
Total liabilities	(108,905)	(111,526)	(96,822)	(82,356)	**(72,247)**
Equity attributable to owners of the Company	364,818	286,235	296,269	302,296	**313,433**