

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
(Incorporated in Hong Kong with limited liability by guarantee)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**



**李 湯 陳 會 計 師 事 務 所**  
**LI, TANG, CHEN & CO.**  
Certified Public Accountants (Practising)  
Hong Kong

\*委員會秘書附註：本文件只備英文本。

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**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**DIRECTORS' REPORT**

The directors submit to members their report and financial statements for the year ended 31<sup>st</sup> March, 2010.

**PRINCIPAL ACTIVITIES**

The company is established for the organization, implementation and delivery of the Fifth East Asian Games (the "Games") which was held in Hong Kong in December 2009, enabling the Games to educate the community on the value of sports thereby improving the health of the public, and to enhance Hong Kong's status as a sports event capital.

**ACCOUNTS**

The result of the company for the year ended 31<sup>st</sup> March, 2010 and the state of affairs of the company as at that date are set out in the financial statements on pages 5 to 26.

**PROPERTY, PLANT AND EQUIPMENT**

Movements of the property, plant and equipment during the year are set out in note (7) on the financial statements.

**DIRECTORS**

The directors of the company during the year and up to the date of this report were:

Mr. Fok Tsun Ting, Timothy	
Mr. Chan Cho Chak, John	
Mr. Chan Pun, David	
Mr. Chen Nan Lok, Philip	
Mr. Hui Chun Fui, Victor	
Mr. Or Ching Fai, Raymond	
Mr. Pang Chung	
Ms. Chan Yeuk Oi, Olivia	
Mr. McKinley Jonathan Michael David	
Mr. Cheng Kam Wing, Bobby	(appointed on 26.6.2009)
Mrs. Fung Ching Suk Yee	(appointed on 31.8.2009)
Mr. Mok Kwan Yu, Benjamin	(appointed on 17.9.2009)
Mr. Chow Tat Ming, Thomas	(resigned on 10.8.2009)
Ms. Wong Chin Kiu, Janet	(resigned on 28.8.2009)
Mr. Liu Ming Kwong	(resigned on 31.12.2009)

In accordance with articles (28) and (30) of the company's articles of association, all the existing directors shall retire but being eligible for re-appointment to the Board for a term of two years if the Secretary for Home Affairs shall agree.

No contracts of significance to which the company was a party and in which a director of the company had material interest subsisted at the end of the year and at any time during the year.

At no time during the year was the company a party to any arrangement 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.

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**DIRECTORS' REPORT**

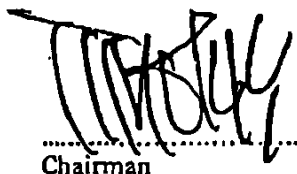
**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the company were entered into or existed during the period.

**AUDITORS**

The financial statements have been audited by Messrs. Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the Board

  
.....  
Chairman

Hong Kong, 24 JUN 2010



李湯陳會計師事務所  
LI, TANG, CHEN & CO.  
Associated World-wide with JHI

Certified Public Accountants (Practising)  
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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF 2010 EAST ASIAN GAMES (HONG KONG) LIMITED**  
(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of 2009 East Asian Games (Hong Kong) Limited set out on pages 5 to 26, which comprise the balance sheet as at 31<sup>st</sup> March, 2010, and the statement of comprehensive income, the statement of changes in funds and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

to be cont'd/.....

李 煥 陳 會 計 師 事 務 所  
LI, TANG, CHEN & CO.  
Certified Public Accountants (Practising)

## OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> March, 2010 and of its result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

  
Certified Public Accountants (Practising)

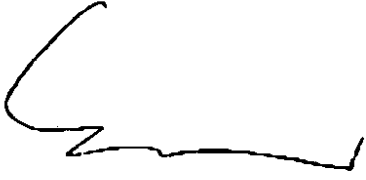
Hong Kong, 24 JUN 2010  
RCMC/CKL:pn

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010**

	<u>Note</u>	HK\$	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7		852,515	802,361
<b>CURRENT ASSETS</b>				
Accounts receivable	8	14,772,624		117,054
Deposits		-		59,000
Prepayments		-		74,858
Cash and bank balances	9	<u>9,256,341</u>		<u>92,362,094</u>
		24,028,965		92,613,006
<b>Deduct:</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses		1,066,506		4,473,127
Deferred income	15	<u>23,808,617</u>		<u>88,935,883</u>
		24,875,123		93,409,010
<b>NET CURRENT LIABILITIES</b>			<u>(846,158)</u>	<u>(796,004)</u>
<b>NET ASSETS</b>			<u>6,357</u>	<u>6,357</u>
<b>Representing:</b>				
<b>ACCUMULATED FUND</b>	16		<u>6,357</u>	<u>6,357</u>

The financial statements set out on pages 5 to 26 were approved and authorised for issue by the board of directors on 24 JUN 2010

  
.....  
Director

  
.....  
Director

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
(Incorporated in Hong Kong with limited liability by guarantee)

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

	Note	HK\$	2010 HK\$	2009 HK\$
<b>INCOME</b>				
Government grant - LCSD allocation	10		113,350,000	-
Sponsorship income	11		79,798,200	12,442,472
Licensing and merchandising income			212,891	429,008
Charged accommodation			9,545,538	-
Broadcasting rights			1,242,650	-
Ticket sales			10,993,583	-
Games concert income			-	13,011,505
Other income				
Income from Pro-shop			-	21,505
Banner promotion services income			440,000	480,000
Video wall promotion services income			20,027	55,183
Games magazine income			34,425	8,925
Games stamps income			129,941	1,656
Sundry income			1,641,907	500,300
Bank interest income			283,555	125,659
			<u>2,549,855</u>	<u>692,928</u>
			217,692,717	27,076,213
<b>LESS: EXPENDITURE</b>				
Staff costs	12(a)	23,176,376		15,915,169
Administrative expenses	12(b)	6,372,826		3,704,424
Volunteers	12(c)	6,617,919		4,152,341
Competition events expenses	12(d)	27,941,218		557,775
Publicity and marketing expenses	12(e)	3,853,946		2,598,229
Broadcasting and logistics	12(f)	58,329,145		19,051
Ceremonies and hospitality	12(g)	65,991,000		129,224
Information technology	12(h)	12,364,035		-
Accreditation and security	12(i)	10,593,399		-
Medical services and anti-doping	12(j)	<u>2,452,853</u>		-
			<u>217,692,717</u>	<u>27,076,213</u>
<b>SURPLUS FOR THE YEAR</b>			-	-
<b>INCOME TAX EXPENSE</b>	13		-	-
<b>SURPLUS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<u>-</u>	<u>-</u>



**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**STATEMENT OF CHANGES IN FUNDS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

	<u>Note</u>	<u>Accumulated fund</u>	
		<u>2010</u> HK\$	<u>2009</u> HK\$
Balance brought forward		6,357	6,357
Surplus for the year and total comprehensive income for the year	16	<u>-</u>	<u>-</u>
Balance carried forward		<u>6,357</u>	<u>6,357</u>

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>OPERATING ACTIVITIES</b>			
Surplus for the year		-	-
Adjustments for:			
Deferred income recognised		(193,148,200)	(12,442,472)
Bank interest income		(283,555)	(125,659)
Depreciation on property, plant and equipment		<u>601,559</u>	<u>438,631</u>
Operating deficit before working capital changes		(192,830,196)	(12,129,500)
Decrease in accounts receivable		(597,986)	176,578
Decrease/(increase) in deposits		59,000	(39,084)
Decrease/(increase) in prepayments		74,858	(20,884)
Decrease in security deposit		-	(52,052)
(Decrease)/increase in accounts payable and accrued expenses		<u>(3,406,621)</u>	<u>3,832,929</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<u>(196,700,945)</u>	<u>(8,232,013)</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(651,713)	(484,996)
Interest received		<u>283,555</u>	<u>125,659</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(368,158)</u>	<u>(359,337)</u>
<b>FINANCING ACTIVITIES</b>			
Government grant obtained	15	54,201,698	38,709,406
Sponsorships received	15	<u>59,761,652</u>	<u>27,882,741</u>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<u>113,963,350</u>	<u>66,592,147</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(83,105,753)</u>	<u>58,000,797</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<u>92,362,094</u>	<u>34,361,297</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>9,256,341</u>	<u>92,362,094</u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<u>9,256,341</u>	<u>92,362,094</u>

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**NOTES ON THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

2009 East Asian Games (Hong Kong) Limited is a company incorporated on 3<sup>rd</sup> March, 2005 in Hong Kong as a company with limited liability by guarantee without a share capital. Every member of the company undertakes to contribute to the assets of the company, if required in the event of its being wound up, not exceeding HK\$100.

The address of its registered office is 1/F., Hong Kong Park Sports Centre, 29 Cotton Tree Drive, Central, Hong Kong.

The company is established for the organisation, implementation and delivery of the Fifth East Asian Games (the "Games") which was held in Hong Kong in December 2009.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the company.

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

The following revised standards and amendments which are relevant to the company's financial statements have been adopted in the current year but have no effect on the amounts reported in these financial statements.

- HKAS 1 (revised), Presentation of Financial Statements
- Improvements to HKFRSs (2008)

HKAS 1 (revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the presentation and disclosures of financial statements. The revised standard requires the entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in fund (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or two statements (a separate income statement and a statement of comprehensive income). The company has elected to present one statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented. Accordingly, the comparative figures have not been restated.

The improvements to HKFRSs (2008) have had no material impact on the company's financial statements.

The company has not early applied the other new standards, amendments and interpretations that have been issued but not yet effective (see note 20).

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**NOTES ON THE FINANCIAL STATEMENTS**

**3. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed in note 6.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a) Property, plant and equipment:**

Property, plant and equipment are stated at historical cost less accumulated depreciation and amortisation less impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the centre and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income and expenditure account during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of property, plant and equipment over the period of their estimated useful lives on a straight line basis at the following annual rates:-

Furniture and fixtures	25%
Office equipment	25%
Leasehold improvement	25%

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**NOTES ON THE FINANCIAL STATEMENTS**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**a) Property, plant and equipment: (cont'd)**

The gain or loss on disposal or retirement of a property, plant and equipment recognised in the statement of comprehensive income, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**b) Cash and cash equivalents:**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the company's cash management.

**c) Impairment of assets:**

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**d) Payables:**

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting could be immaterial, in which case they are stated at cost.

**e) Government grant (LCSD allocation):**

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that are intended to compensate. When the grant relates to depreciable asset, the fair value is presented as deferred income and is released to income in the statement of comprehensive income over the expected useful life of the relevant asset.

**2009 EAST ASIAN GAMES (HONG KONG) LIMITED**  
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**NOTES ON THE FINANCIAL STATEMENTS**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**f) Deferred income:**

Sponsorships and other revenues received which are designated for the sole purpose of financing the operation of "the Fifth East Asian Games" ("the Games") are recognised in the balance sheet initially as deferred income. Sponsorship and other revenues that compensate the company for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same period in which the direct and related expenses are incurred. Resultant surplus/deficit of the Games would be recognised in the statement of comprehensive income upon the completion and conclusion of the Games.

**g) Provisions and contingent liabilities:**

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

**h) Nominees transactions:**

No account has been taken into account of assets and liabilities registered in the name of the company in respect of nominee transactions entered into by the company in the capacity as an agent for and on behalf of the principals.

**i) Revenue recognition:**

Government grant and sponsorship income are recognised on the basis as described in notes 4(e) and 4(f) respectively.

Licensing and merchandising income, broadcasting rights income and video wall promotion service income are recognised on an accrual basis, in accordance with the substance of the relevant agreements.

Banner promotion services income and revenue from charged accommodation are recognised when the relevant services are rendered.

Ticket sales and games concert income is recognised when the concert is held and finished.

Bank interest income is recognised as it accrues using the effective interest method.

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**NOTES ON THE FINANCIAL STATEMENTS**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**j) Related parties:**

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, the post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

**k) Retirement benefits scheme:**

The company joins a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") for those employees of the company.

The company's contributions to the MPF Scheme are made based on a percentage of the eligible employee's relevant income as defined in the Mandatory Provident Fund Schemes Ordinance. These contributions are expensed as incurred. The assets of the scheme are held separately from those of the company in independently administered funds.

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**a) Financial risk factors:**

The company's major financial instruments comprises accounts receivable, deposits, cash and bank balances, accounts payable and accrued expenses which arise directly from its operations. The company's risk associated with these financial instruments and policies on how to mitigate these risks are set out below:

**i) Foreign exchange risk**

The company does not have any significant exposure to foreign exchange risk. All of the receivables and payables are denominated in Hong Kong dollars and all other transactions are in Hong Kong dollars.

Due to the effect of the change in exchange rates is insignificant, the sensitivity analysis in respect of changes in exchange rates is not presented.

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**NOTES ON THE FINANCIAL STATEMENTS**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

a) Financial risk factors: (cont'd)

ii) Credit risk

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance, the company does not provide any other guarantees which would expose the company to credit risk.

The credit risk on such liquid fund is limited because the counterparties are reputable banks.

As at 31<sup>st</sup> March, 2010, the financial assets of the company that were exposed to credit risk and their maximum exposure were as follows:

	2010		2009	
	Carrying amount in balance sheet	Maximum exposure to credit risk	Carrying amount in balance sheet	Maximum exposure to credit risk
	HK\$	HK\$	HK\$	HK\$
Accounts receivable	14,772,624	14,772,624	117,054	117,054
Deposits	-	-	59,000	59,000
Cash and bank balances	<u>9,256,341</u>	<u>9,256,341</u>	<u>92,362,094</u>	<u>92,362,094</u>
	<u>24,028,965</u>	<u>24,028,965</u>	<u>92,538,148</u>	<u>92,538,148</u>



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**NOTES ON THE FINANCIAL STATEMENTS**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

a) Financial risk factors: (cont'd)

iii) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

The company's policy is to regularly monitor current and expected requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date the company can be required to pay.

	2010		
	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$
Accounts payable and accrued expenses	1,066,506	(1,066,506)	(1,066,506)
<hr/>			
	2009		
	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$
Accounts payable and accrued expenses	4,473,127	(4,473,127)	(4,473,127)

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**NOTES ON THE FINANCIAL STATEMENTS**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

a) Financial risk factors: (cont'd)

iv) Interest rate risk

The company has no significant interest-bearing financial liabilities. The interest-bearing assets only include short-term bank balances and savings accounts. Short-term deposit carries interest at short-term deposit rates while savings accounts carry interest at floating rates. The company's income and operating cash flows are substantially independent of changes in market interest rates. Due to the fact that the changes in interest rate will have no material impact on the result of the company and accordingly the sensitivity analysis in respect of changes in interest rate is not presented.

b) Fair value estimation:

All financial instruments are carried at amounts not materially different from their fair values at 31<sup>st</sup> March, 2010 and 31<sup>st</sup> March, 2009.

**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimates and assumptions that have a significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Income taxes

The directors considers that the company has no tax liability in respect of its surplus arising from the Games as pursuant to the tripartite agreement with the Hong Kong government, all surplus of the company derived from the Games is required to be refunded to the government and therefore no provision for income tax has been made in these financial statements. Where the final tax outcome is determined and is different from the judgement made by the directors, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) Property, plant and equipment

Management determines the estimated useful lives and residual values for the company's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated.

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**7. PROPERTY, PLANT AND EQUIPMENT**

	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Leasehold improvement</u> HK\$	<u>Total</u> HK\$
<b>Cost</b>				
At 1 <sup>st</sup> April, 2008	210,783	931,445	127,300	1,269,528
Additions	<u>50,351</u>	<u>308,945</u>	<u>125,700</u>	<u>484,996</u>
At 31 <sup>st</sup> March, 2009	261,134	1,240,390	253,000	1,754,524
	-----	-----	-----	-----
<b>Accumulated depreciation</b>				
At 1 <sup>st</sup> April, 2008	91,530	390,177	31,825	513,532
Charge for the year	<u>65,283</u>	<u>310,098</u>	<u>63,250</u>	<u>438,631</u>
At 31 <sup>st</sup> March, 2009	156,813	700,275	95,075	952,163
	-----	-----	-----	-----
<b>Net book value</b>				
At 31 <sup>st</sup> March, 2009	<u>104,321</u>	<u>540,115</u>	<u>157,925</u>	<u>802,361</u>
	=====	=====	=====	=====
<b>Cost</b>				
At 1 <sup>st</sup> April, 2009	261,134	1,240,390	253,000	1,754,524
Additions	<u>25,390</u>	<u>626,323</u>	<u>-</u>	<u>651,713</u>
At 31 <sup>st</sup> March, 2010	286,524	1,866,713	253,000	2,406,237
	-----	-----	-----	-----
<b>Accumulated depreciation</b>				
At 1 <sup>st</sup> April, 2009	156,813	700,275	95,075	952,163
Charge for the year	<u>71,631</u>	<u>466,678</u>	<u>63,250</u>	<u>601,559</u>
At 31 <sup>st</sup> March, 2010	228,444	1,166,953	158,325	1,553,722
	-----	-----	-----	-----
<b>Net book value</b>				
At 31 <sup>st</sup> March, 2010	<u>58,080</u>	<u>699,760</u>	<u>94,675</u>	<u>852,515</u>
	=====	=====	=====	=====

**8. ACCOUNTS RECEIVABLE**

Accounts receivable mainly represents sponsorship income receivable from The Hong Kong Jockey Club Charities Trust, licensing and merchandising income, Games Magazine income and video wall promotion income receivable. The management believes that no impairment allowance is necessary in respect of these balances and the balances can be fully recoverable. The company does not hold any collateral over these balances.

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**9. CASH AND BANK BALANCES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Time deposits	-	35,000,000
Cash at bank	9,252,192	57,350,554
Cash in hand	<u>4,149</u>	<u>11,540</u>
	<u>9,256,341</u>	<u>92,362,094</u>

Cash balances held in savings accounts at banks earn interest at floating rates based on daily bank deposit rates.

Short-term deposits were made for various earned interest at the respective short-term time deposits rates.

**10. GOVERNMENT GRANT - LCSD ALLOCATION**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Amount recognised during the year (note 15)	<u>113,350,000</u>	<u>-</u>

The total government fund for the Games as approved by the Legislative Council was HK\$123 million out of which HK\$9,650,000 was allocated to organisations other than the company for specific purposes as detailed below, leaving a balance of HK\$113,350,000 allocated to the company.

<u>Name of payee</u>	<u>Purposes</u>	<u>Amount</u> HK\$
Sports Federation & Olympic Committee of Hong Kong, China	Setting up of the East Asian Games Association Secretariat	7,000,000
Radio and Television of Hong Kong	Production of 1-year countdown programme	650,000
Electrical and Mechanical Services Department	Provision of technical support services for the Games	<u>2,000,000</u>
		<u>9,650,000</u>

The funds of HK\$9,650,000 allocated to the above organisations and the relevant expenditure incurred by them in connection with the Games had not been reflected in these financial statements.

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**NOTES ON THE FINANCIAL STATEMENTS**

**11. SPONSORSHIP INCOME**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Amount recognised during the year (note 15)	<u>79,798,200</u>	<u>12,442,472</u>

In the opinion of the directors, sponsorships-in-kind other than cash are not reflected in these financial statements.

**12. EXPENDITURE**

	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>a) Staff costs</b>		
Salaries	18,684,438	15,428,427
Mandatory provident fund contributions	633,010	450,420
Incentive pay/gratuity	3,562,805	-
Mobile phone fee subsidy	<u>296,123</u>	<u>36,322</u>
	<u>23,176,376</u>	<u>15,915,169</u>

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**12. EXPENDITURE (CONT'D)**

	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>b) Administrative expenses</b>		
Advertisement	88,593	119,805
Auditors' remuneration	110,000	15,000
Bank charges	10,582	3,851
Business registration fee	6,698	733
Contingency	484,398	816,334
Cleaning and utensils	5,300	1,100
Depreciation	601,559	438,631
Equipments	279,611	-
Gifts and entertainment	5,233	37,820
Insurance	1,084,216	306,688
Legal and professional fees	1,750,557	1,184,580
Licence fees	250	1
EAG magazine	260,315	300,070
Newspaper and periodicals	12,608	11,889
Office supplies	850	31,202
Postage and express	123,933	16,426
Printing and stationery	671,413	191,673
Proshop expense	41,000	4,950
Repairs and maintenance	155,548	41,256
Staff training and uniform	16,565	57,160
Telephone, fax and internet	491,624	114,883
Transportation	51,729	6,000
Travelling expenses	26,532	2,294
Miscellaneous	93,712	2,078
	<u>6,372,826</u>	<u>3,704,424</u>
<b>c) Volunteers</b>		
Allocation to Agency for Volunteer Service	3,230,373	3,072,400
Gift and entertainment	-	266
Printing and stationery	44,650	26
Website maintenance	272,100	310,000
Postage and express	-	880
Meal box for volunteers	685,820	-
Uniforms	2,147,990	-
Travelling	3,148	300
Insurance	76,300	-
Programme legacy	51,848	765,991
Miscellaneous	105,690	2,478
	<u>6,617,919</u>	<u>4,152,341</u>

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**NOTES ON THE FINANCIAL STATEMENTS**

**12. EXPENDITURE (CONT'D)**

	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>d) Competition event expenses</b>		
Gifts and express	5,620	4,745
Postage and express	21,165	411
Printing and stationery	194,985	601
Transportation	19,346	-
Travelling expenses	24,355	8,897
Miscellaneous expenses	24,196	2,554
Programme expenses	<u>27,651,551</u>	<u>540,567</u>
	<u>27,941,218</u>	<u>557,775</u>
<b>e) Publicity and marketing expenses</b>		
Advertisement	56,940	72,930
AV and photography	48,369	3,400
Gifts and entertainment	25,244	24,945
Newspaper and periodicals	6	162
Postage and courier	25,457	2,746
Printing and stationery	45,738	132,691
Programme expenses	3,581,591	2,348,319
Transportation	12,422	2,116
Travelling expenses	17,408	7,100
Miscellaneous	<u>40,771</u>	<u>3,820</u>
	<u>3,853,946</u>	<u>2,598,229</u>
<b>f) Broadcasting and logistics expenses</b>		
Gifts and entertainment	-	10,000
Postage and courier	-	4,213
Printing and stationery	2,101	215
Programme expenses	58,275,749	-
Transportation	14,333	-
Travelling expenses	17,481	3,994
Miscellaneous	<u>19,481</u>	<u>629</u>
	<u>58,329,145</u>	<u>19,051</u>

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**NOTES ON THE FINANCIAL STATEMENTS**

**12. EXPENDITURE (CONT'D)**

	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>g) Ceremonies and VIP hospitality</b>		
AV and photography	1,000	-
Gifts and entertainment	9,368	8,593
Overseas meeting	9,118	-
Postage and express	9,240	653
Printing and stationery	26,422	2,403
Opening ceremonies	57,885,693	-
Closing ceremonies	3,400,926	-
Hospitality	2,581,762	-
Programme expenses	1,942,336	108,695
Transportation	22,923	125
Travelling expenses	44,115	5,131
Miscellaneous	58,097	3,624
	<u>65,991,000</u>	<u>129,224</u>
<b>b) Information Technology</b>		
Games result management	11,271,443	-
Contingency (rent of walkie talkie)	6,000	-
Provision of PC equipment support service during Games period (Computer rent at site)	1,086,592	-
	<u>12,364,035</u>	<u>-</u>
<b>i) Accreditation and security</b>		
Project based staffing	730,273	-
Guard service engagement	8,430,627	-
Accreditation centre setup	1,035,577	-
Crowd management equipment	249,702	-
Other accreditation expenses	147,220	-
	<u>10,593,399</u>	<u>-</u>
<b>j) Medical services and anti-doping</b>		
Administrative cost	3,855	-
Doping control	2,130,953	-
Medical services	318,045	-
	<u>2,452,853</u>	<u>-</u>



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**NOTES ON THE FINANCIAL STATEMENTS**

**13. INCOME TAX EXPENSE**

No provision for Hong Kong profits tax has been made in these financial statements as the company sustained a loss for tax purpose for the years ended 31<sup>st</sup> March, 2010 and 31<sup>st</sup> March, 2009.

No provision for deferred tax assets amounting to HK\$228,042 (2009: HK\$167,786) in respect of the unrelieved tax loss has been provided in these financial statements as the unpredictability of future profits stream.

**14. DIRECTORS' REMUNERATION**

None of the directors, who are also considered as key management of the company, received or will receive any fees or other emoluments in respect of their services to the company during the year (2009: Nil).

**15. DEFERRED INCOME**

Deferred income comprises:

**a) Government grant**

This represents the unutilized amount of government grant received from Leisure & Cultural Services Department ("LCSD") of the Government of Hong Kong Special Administrative Region.

Pursuant to the Tripartite Agreement for the Fifth East Asian Games entered into among the company, the Government of the Hong Kong Special Administrative Region and the Sports Federation and Olympic Committee of Hong Kong, the budget for the organisation, implementation and delivery of the Games is HK\$240 million. With the approval of the Legislative Council, the Government will provide up to a maximum of HK\$123 million. Upon the conclusion of the Games, the company is required to return the surplus, if any, up to the total amount of Government grant provided.

Up to 31<sup>st</sup> March, 2010, the company had received a sum of HK\$113,350,000 (2009: HK\$59,148,302) from Leisure & Cultural Services Department of the Government of Hong Kong Special Administrative Region (see note 10).

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**15. DEFERRED INCOME (CONTD)**

**b) Sponsorships**

This represents the unutilized amount of sponsorships and other revenues received for financing the operations of the Games in Hong Kong after deducting the direct and related expenses incurred.

**c) Details of the movements in the accounts during the year are as follows:**

	2010		
	<u>Government grant – LCSD allocation</u>	<u>Sponsorships</u>	<u>Total</u>
	HK\$	HK\$	HK\$
Balance brought forward	59,148,302	29,787,581	88,935,883
Receipts during the year	54,201,698	59,761,652	113,963,350
Receivable from HKJCCT	-	14,057,584	14,057,584
	<u>113,350,000</u>	<u>103,606,817</u>	<u>216,956,817</u>
Amount recognised as income (notes 10 and 11)	<u>(113,350,000)</u>	<u>(79,798,200)</u>	<u>(193,148,200)</u>
Balance carried forward	<u>-</u>	<u>23,808,617</u>	<u>23,808,617</u>

	2009		
	<u>Government grant – LCSD allocation</u>	<u>Sponsorships</u>	<u>Total</u>
	HK\$	HK\$	HK\$
Balance brought forward	20,438,896	14,347,312	34,786,208
Receipts during the year	38,709,406	27,882,741	66,592,147
	<u>59,148,302</u>	<u>42,230,053</u>	<u>101,378,355</u>
Amount recognised as income (notes 10 and 11)	<u>-</u>	<u>(12,442,472)</u>	<u>(12,442,472)</u>
Balance carried forward	<u>59,148,302</u>	<u>29,787,581</u>	<u>88,935,883</u>

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**16. ACCUMULATED FUND**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Balance brought forward	6,357	6,357
Surplus for the year	<u>-</u>	<u>-</u>
Balance carried forward	<u><u>6,357</u></u>	<u><u>6,357</u></u>

Pursuant to the agreement between the company and the government, all such surplus has to be refunded to the government upon the completion and conclusion of the Games.

**17. RELATED PARTY TRANSACTIONS**

There were no related party transactions conducted by the company during the year.

**18. NOMINEES TRANSACTIONS**

Pursuant to the agreement for Temporary Overlay on EAG Completion Venues made between the government and the company dated 28<sup>th</sup> November, 2008, the company was funded from LCSD a sum to the extent of approximately HK\$71 million for the project of implementing certain temporary overlay and thematic design works for the Games. The actual sum would be subject to confirmation by the government. The company was acted as an agent of the project of which all the respective transactions were carried out by the company as nominee on behalf of the government and thus had not been accounted for in these financial statements.

As at 31<sup>st</sup> March, 2010, a total sum of HK\$44,271,482 had been received and expended by the company for the project. Details of these nominee transactions are set out below.

	<u>2010</u> HK\$	<u>2009</u> HK\$
Amount received from LCSD	44,271,482	-
Less: Amounts paid to suppliers of the project	<u>(44,271,482)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

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**NOTES ON THE FINANCIAL STATEMENTS**

**19. CONTINGENT LIABILITIES**

Pursuant to the tripartite agreement between the company and the government, within six months of the conclusion of the Games or any sooner termination of such agreement, surplus funding from the Games, if any, up to the total amount of government subsidy/grant provided and hiring charges waived, shall be returned to the government.

**20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendment, new standards and interpretations which are not yet effective for the accounting year ended 31<sup>st</sup> March, 2010 but which have not been adopted in these financial statements.

The company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretation is expected to be in the period of initial application. So far it has concluded that the adoption is unlikely to have a significant impact on the company's results of operations and financial position.