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KPMG

Club Lusitano

(Limited by Guarantee)

31 March 2011

CERTIFIED TRUE COPY

~~FRANCISCO ANTONIO~~ DA ROZA
PRESIDENT

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Club Lusitano

(Limited by Guarantee)

31 March 2011

(Incorporated in Hong Kong under the Companies Ordinance and Limited by Guarantee)

Report of the General Committee

The General Committee submit herewith their annual report together with the audited financial statements for the year ended 31 March 2011.

Principal place of business

Club Lusitano (the "Club") is a club incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 16 Ice House Street, Central, Hong Kong.

Principal activities

The principal activities of the Club are to provide meals, refreshments and recreational facilities to its members and to own and manage the Club Lusitano Building for rental income.

Financial statements

The results of the Club for the year ended 31 March 2011 and the state of the Club's affairs as at that date are set out in the financial statements on pages 6 to 40.

Transfer to reserves

Profit for the year of HK$3,742,283 (2010: loss of HK$130,341,758) has been transferred to reserves. Other movements in reserves are set out in the statement of changes in equity.

Charitable donations

Donations made by the Club during the year amounted to HK$3,200 (2010: HK$2,000).

Fixed assets

Movements in fixed assets during the year are given in note 5 to the financial statements.

Members

The roll of members on 31 March 2011 with comparative figures is given below:

	2011	*2010*
Senior members	45	40
Life members	1	1
Resident members	151	148
Non-resident members	261	260
	458	449

During the year, 9 new members were admitted (2010: 16), 4 members were reinstated (2010: 1), no member resigned (2010: 1), no member was struck off (2010: None) and no member passed away (2010: None).

General Committee

The General Committee members during the financial year and up to the date of this report who were appointed and who retired at the 98th Annual General Meeting held on 17 June 2011 were:

F.A. Da Roza	(President)
Fr. M.J. Baptista	(Honorary Secretary, retired)
A. T. da Rosa, Junior	(Honorary Secretary)
L.A. Souza	(Honorary Treasurer, retired)
PA. Rozario	(Honorary Treasurer)
Dr. A.E. Rodrigues	
H.E.T. Goncalves	
A.F. Correa	
Fr. M.J. Baptista	
R.A. Sousa	(retired)
A.M. Souza	(retired)
R.F. Tavares	
Mrs. J.B. Ferreira	

In accordance with article 43 of the Club's Articles of Association, all the present members of the General Committee retire, and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

No contracts of significance to which the Club was a party and in which a member of the Board of Trustees or the General Committee had a material interest subsisted at the end of the year or at any time during the year.

General Committee (continued)

At no time during the year was the Club a party to any arrangements to enable a member of the Board of Trustees or the General Committee to acquire benefits by means of the acquisition of an interest in the Club or any other body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Club is to be proposed at the forthcoming Annual General Meeting.

By order of the General Committee and by agreement of the Board of Trustees

President

Hong Kong,
6 DEC 2011

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KPMG

Independent auditor's report to the members of Club Lusitano

(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Club Lusitano (the "Club") set out on pages 6 to 40, which comprise the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees and General Committee Members' responsibility for the financial statements

The Trustees and the General Committee Members of the Club are responsible for the preparation of 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 Trustees and General Committee members determine is necessary to enable the preparation of 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 financial statements based on our audit. This report is made 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 auditor's judgement, 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 auditor considers internal control relevant to the entity's preparation of the 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 Trustees and the General Committee Members, 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.

KPMG

Independent auditor's report to the members of Club Lusitano (continued)

(Incorporated in Hong Kong and limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Club as at 31 March 2011 and of the Club's profit 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 DEC 2011

Balance sheet at 31 March 2011

(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Non-current assets			
Fixed assets	5		
- Other property, plant and equipment		$ 27,088,067	$ 28,613,823
- Investment property		424,221,233	420,346,233
		$ 451,309,300	$ 448,960,056
Available-for-sale securities	6	10,981,115	4,639,674
Trade and other receivables	8	102,500,000	102,500,000
		$ 564,790,415	$ 556,099,730
Current assets			
Inventories	7	$ 81,919	$ 114,819
Trophies, at cost		-	21,065
Trade and other receivables	8	636,226	480,262
Cash and cash equivalents	9	29,633,508	38,107,075
		$ 30,351,653	$ 38,723,221
Current liabilities			
Trade and other payables	10	$ 1,060,140	$ 1,162,737
Deferred income	5(f), 10	5,125,000	5,125,000
		$ 6,185,140	$ 6,287,737
Net current assets		$ 24,166,513	$ 32,435,484
Total assets less current liabilities		$ 588,956,928	$ 588,535,214
Non-current liabilities			
Deferred income	5(f), 10	$ 397,096,233	$ 402,221,233
Deferred tax liabilities	3(c)	23,296,352	22,611,142
		$ 420,392,585	$ 424,832,375
NET ASSETS		$ 168,564,343	$ 163,702,839

Balance sheet at 31 March 2011 (continued)

(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Representing:			
General fund		$ 81,139,100	$ 75,152,870
Investment fluctuation fund	11(b)	-	2,500,000
Investment surplus account	11(b)	42,557,107	42,301,054
Fair value reserve	11(b)	3,096,844	1,977,623
Property revaluation reserve	11(b)	41,771,292	41,771,292
		$ 168,564,343	$ 163,702,839

In compliance with Articles 53 of the Memorandum and Articles of Association of the Club, approved and authorised for issue by the Board of Trustees and the General Committee on 6 DEC 2011

F.A. Da Roza
President

A. T. da Rosa, Junior
Honorary Secretary

PA. Rozario
Honorary Treasurer

Sir Rogerio H. Lobo
Trustee

Dr. A.E. Rodrigues
Trustee and General Committee Member

Fr. M.J. Baptista
General Committee Member

R.F. Tavares
General Committee Member

Signed for and on behalf of the Board of Trustees and the General Committee

The notes on pages 17 to 40 form part of these financial statements.

Statement of comprehensive income for the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Surplus from building income and expenditure account (page 10)		$ 8,193,693	$ 1,996,961
Deficit from club income and expenditure account (page 12)		(7,897,253)	(5,879,641)
Surplus from investment income and expenditure account (page 13)		256,053	161,785
Increase/(decrease) in fair value of investment property	5(a)	3,875,000	(152,653,767)
Profit/(loss) before taxation	2	$ 4,427,493	$ (156,374,662)
Income tax	3(a)	(685,210)	26,032,904
Net profit/(loss) for the year		$ 3,742,283	$ (130,341,758)
Other comprehensive income for the year			
Available-for-sale investments:			
- Changes in fair values during the year		$ 1,119,221	$ 2,059,259
Investment property:			
- Change in fair value net of taxation of $8,254,208 on transfer of owner occupied property to investment property		-	41,771,292
Other comprehensive income for the year		$ 1,119,221	$ 43,830,551
Total comprehensive income for the year		$ 4,861,504	$ (86,511,207)

Statement of comprehensive income for the year ended 31 March 2011 (continued)

(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Appropriation:			
General fund			
- Surplus from building income and expenditure account		$ 8,193,693	$ 1,996,961
- Deficit from club income and expenditure account		(7,897,253)	(5,879,641)
- Increase/(decrease) in fair value of investment property		3,875,000	(152,653,767)
- Income tax		(685,210)	26,032,904
		$ 3,486,230	$ (130,503,543)
Investment surplus account		256,053	161,785
		$ 3,742,283	$ (130,341,758)

The notes on pages 17 to 40 form part of these financial statements.

Building income and expenditure account for the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	2011	2010
Income		
Rental income from investment property	$ -	$ 9,781,267
Amortisation of deferred income	5,125,000	2,653,767
Management fees and air conditioning charges of operating lease	-	1,765,706
Interest income (note 2(b))	3,075,000	1,519,809
	$ 8,200,000	$ 15,720,549
Expenditure		
Legal and professional fees	$ -	$ 7,683,986
Finance costs (note 2(a))	-	2,618,854
Repairs and maintenance	-	1,283,875
Utilities	-	1,229,241
Security guard services	-	538,657
Property manager's remuneration	-	130,720
Cleaning expenses	-	115,628
Insurance premium	-	76,689
Sundries	-	19,204
Government rent and rates (net)	-	11,584
Pest control	-	6,960
Depreciation (note 5(a))	6,307	6,307
Telecommunications	-	1,470
Bank charges	-	413
Leasing commission	-	-
Tenancy agreement management fee	-	-
	$ 6,307	$ 13,723,588
Surplus of income over expenditure for the year (pages 8 and 9)	$ 8,193,693	$ 1,996,961

The notes on pages 17 to 40 form part of these financial statements.

Club income and expenditure account for the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	2011		2010	
Income				
Subscriptions		$ 936,600		$ 879,700
Hire of hall		369,500		400,000
Entrance fees		45,000		85,000
Bar and restaurant sales	$ 6,154,965		$ 5,069,889	
Less: Cost of sales	(2,111,879)		(1,859,156)	
Surplus from bar and restaurant sales		4,043,086		3,210,733
Write back of interest payable waived		-		1,593,113
Net income from billiards room		6,340		7,300
Net income from card room		2,640		7,000
Sundry income		7,220		12,280
		$ 5,410,386		$ 6,195,126
Expenditure				
Salaries and wages	$ 4,601,128		$ 4,592,336	
Rental expenses	2,578,177		1,332,059	
Depreciation (note 5(a))	1,549,329		1,687,631	
Management fee	1,070,819		488,126	
Cleaning expenses	438,651		438,765	
Electricity and water	437,151		469,768	
Repairs and maintenance	397,602		585,118	
Government rent and rates	226,200		188,100	
General expenses	211,805		204,138	
Insurance	181,878		181,731	
Retirement costs	180,460		199,465	
Stamp duty	174,378		-	
Professional fees	157,000		262,234	
Meals rebate	143,607		138,882	
Staff benefits	128,707		168,509	
Auditors' remuneration	120,000		133,025	
Laundry	119,744		112,342	
Gas	99,222		96,822	
Provision for/(reversal of) long service payment	78,429		(460,610)	
Air conditioning fee	75,946		32,880	
Kitchen utensils	73,380		77,279	

Club income and expenditure account for the year ended 31 March 2011 (continued)

(Expressed in Hong Kong dollars)

	2011		2010	
Expenditure (continued)				
Social functions	$ 56,537		$ 21,425	
Storage expenses	46,040		50,560	
Telephone and postage	45,661		43,133	
Printing and stationery	25,686		25,984	
Pest control	23,415		24,263	
Write off of inventory	21,065		-	
Bar accessories	19,979		33,138	
Bank charges	18,253		18,726	
Uniforms and linen	4,190		12,390	
Donation	3,200		2,000	
Finance costs (note 2(a))	-		727,117	
Interest on other loans (note 2(a))	-		187,431	
		$ 13,307,639		$ 12,074,767
Deficit of income over expenditure for the year (pages 8 and 9)		$ (7,897,253)		$ (5,879,641)

The notes on pages 17 to 40 form part of these financial statements.

Investment income and expenditure account for the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Income			
Interest earned		$ 3,679	$ 2,817
Net exchange gain		11,028	19,297
Dividend income on listed securities		262,002	140,946
		$ 276,709	$ 163,060
Expenditure			
Bank charges and fund management fee		$ (20,656)	$ (1,275)
Surplus of income over expenditure for the year (pages 8 and 9)		$ 256,053	$ 161,785

The notes on pages 17 to 40 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2011

(Expressed in Hong Kong dollars)

	General fund	*Investment fluctuation fund*	*Investment surplus account*	*Fair value reserve*	*Property revaluation reserve*	*Total*
Balance at 1 April 2009	$ 205,656,413	$ 2,500,000	$ 42,139,269	$ (81,636)	$ -	$ 250,214,046
Changes in equity for 2009/10:						
Loss for the year	(130,503,543)	-	161,785	-	-	(130,341,758)
Other comprehensive income	-	-	-	2,059,259	41,771,292	43,830,551
Balance at 31 March and 1 April 2010	$ 75,152,870	$ 2,500,000	$ 42,301,054	$ 1,977,623	$ 41,771,292	$ 163,702,839
Changes in equity for 2010/11:						
Profit for the year	3,486,230	-	256,053	-	-	3,742,283
Transfer (note 11(b))	2,500,000	(2,500,000)	-	-	-	-
Other comprehensive income	-	-	-	1,119,221	-	1,119,221
Balance at 31 March 2011	$ 81,139,100	$ -	$ 42,557,107	$ 3,096,844	$ 41,771,292	$ 168,564,343

The notes on pages 17 to 40 form part of these financial statements.

Cash flow statement
for the year ended 31 March 2011
(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Profit/(loss) before taxation		$ 4,427,493	$ (156,374,662)
Adjustments for:			
(Increase)/decrease in fair value of investment property		(3,875,000)	152,653,767
Depreciation		1,555,636	1,693,938
Amortisation of deferred income		(5,125,000)	(2,653,767)
Interest income		(3,679)	(1,522,626)
Finance cost		-	3,533,402
Write back of interest payable		-	(1,593,113)
Exchange gain		(11,028)	(19,297)
Operating loss before changes in working capital		$ (3,031,578)	$ (4,282,358)
Decrease in inventories		32,900	2,143
Decrease in trophies		21,065	-
Increase in trade and other receivables		(155,964)	(101,959,959)
Decrease in trade and other payables		(102,597)	(5,919,392)
Increase in deferred income		-	410,000,000
Net cash (used in)/generated from operating activities		$ (3,236,174)	$ 297,840,434
Investing activities			
Payment for the purchase of fixed assets		$ (29,880)	$ (12,739)
Payment for the purchase of available-for-sale securities		(5,222,220)	(294,392)
Interest received		3,679	1,522,626
Net cash (used in)/generated from investing activities		$ (5,248,421)	$ 1,215,495

Cash flow statement
for the year ended 31 March 2011 (continued)
(Expressed in Hong Kong dollars)

	Note	*2011*	*2010*
Financing activities			
Repayment of bank loans	5(f)	$ -	$ (258,900,000)
Repayment of loan from Portuguese related association	5(f)	-	(7,283,425)
Interest paid		-	(3,345,971)
Net cash used in financing activities		$ -	$ (269,529,396)
(Decrease)/increase in cash and cash equivalents		$ (8,484,595)	$ 29,526,533
Cash and cash equivalents at 1 April		38,107,075	8,561,245
Effect of foreign exchange rate changes		11,028	19,297
Cash and cash equivalents at 31 March	9	$ 29,633,508	$ 38,107,075

The notes on pages 17 to 40 form part of these financial statements.

Notes on the financial statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Club is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Club. The adoption of these new and revised HKFRSs has no material impact on the results and financial position of the Club.

The Club has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property (note 1(d)); and
- financial instruments classified as available-for-sale securities (note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major source of estimation uncertainties are discussed in note 16.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Club and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income and expenditure accounts as follows:

(i) Rental income receivable under operating leases is recognised in the building income and expenditure account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the building income and expenditure account as an integral part of the aggregate net lease payments receivable. Amounts received in advance in respect of lease of the building is accounted for as deferred income and are recognised in profit or loss on a straight line basis over the period of the lease.

(ii) Interest earned is recognised as it accrues using the effective interest method.

(iii) Income from listed investments represents dividend income and is recognised when the share price of the investments goes ex-dividend.

(iv) Revenue arising from sales of goods is recognised on delivery of goods to customers which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

(v) Commission, fees and rentals related to the Club's facilities are recognised during the period in which the facilities are used.

(vi) Membership subscriptions are recognised as they fall due for payment.

(d) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment property.

1 Significant accounting policies (continued)

(d) Investment property (continued)

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(c)(i).

When the Club holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(f)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Leases payments are accounted for as described in note 1(f).

(e) Other property, plant and equipment

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 90 years after the date of completion.

- Leasehold improvements	15 years
- Furniture and fixtures	10 years
- Office equipment	5 years
- Kitchen equipment	5 - 10 years
- Crockery, cutlery and glassware	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (continued)

(e) Other property, plant and equipment (continued)

The carrying amounts of other property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its 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 time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

- When a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- When a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

(f) Leased assets

An arrangement, comprising a transaction or series of transactions is or contain a lease if the Club determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Club under leases which transfer to the Club substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Club are classified as operating leases.

1 Significant accounting policies (continued)

(f) Leased assets (continued)

The cost of acquiring land held under an operating lease is amortised on a straight line basis over the period of the lease term except where the property is classified as an investment property (see note 1(d)). Except where the property is classified as an investment property, impairment losses are recognised in accordance with the accounting policy set out in note 1(e).

Where the Club has the use of other assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Available-for-sale securities

Investments are recognised/derecognised on the date the Club commits to purchase/sell the investments or when they expire.

Investments in equity securities, being those held for non-trading purposes, are classified as available-for-sale securities and are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable market. Costs include attributable transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss.

Dividend income from these investments is recognised in accordance with policy set out in note 1(c)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(c)(ii). When these investments are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

When there is objective evidence that available-for-sale securities are impaired, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss. Objective evidence of impairment includes observable data that comes to the attention of the Club concerning the underlying financial stability of the investee as well as a significant or prolonged decline in the fair value of an investment below its cost.

1 Significant accounting policies (continued)

(g) Available-for-sale securities (continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowances for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Club about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade debtors included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Club is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1 Significant accounting policies (continued)

(i) Inventories (continued)

When inventories are sold, the carrying amount of these inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Club's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Trade and other payables

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

(l) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

(m) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

1 Significant accounting policies (continued)

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Club of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Club. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the profit or loss as incurred.

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income in directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 Significant accounting policies (continued)

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Club 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 expenditure 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event or events is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Club if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Club or exercise significant influence over the Club in making financial and operating policy decisions, or has joint control over the Club;

(ii) the Club and the party are subject to common control;

(iii) the party is an associate of the Club or a joint venture in which the Club is a venturer;

(iv) the party is a member of key management personnel of the Club or the Club's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Club or of any entity that is a related party of the Club.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2011	2010
(a)	***Finance costs***		
	Interest on bank loan	$ -	$ 3,345,971
	Interest on other loans	-	187,431
	Total borrowing costs	$ -	$ 3,533,402
(b)	***Interest income***		
	Bank deposits	$ 3,679	$ 3,371
	Deferred receivables	3,075,000	1,516,438
		$ 3,078,679	$ 1,519,809
(c)	***Other items***		
	Auditor's remuneration	$ 120,000	$ 133,025
	Staff costs (including contributions of $180,460 (2010: $199,465) to Mandatory Provident Fund)	4,988,724	4,499,700
	Net exchange gain	(11,028)	(19,297)
	Depreciation	1,555,636	1,693,938
	Rental receivable from investment properties less direct outgoings of $Nil (2010: $142,304)	-	(12,292,730)
	Cost of inventories	2,111,879	1,859,156
	Minimum operating lease payments in respect of Club premises	2,578,177	1,332,059
	Write back of interest payable waived	-	(1,593,113)

3 Income tax in the statement of comprehensive income

(a) Taxation in profit or loss represents:

	2011	*2010*
Deferred tax		
Origination and reversal of temporary differences	$ 685,210	$ (26,032,904)

No provision has been made for Hong Kong Profits Tax as the Club sustained a loss for taxation purposes during the current and prior years.

(b) Reconciliation between tax charged/(credited) to profit or loss and accounting profit/(loss) at applicable tax rate:

	2011	*2010*
Profit/(loss) before taxation	$ 4,427,493	$ (156,374,662)
Notional tax on profit/(loss) before taxation, calculated at 16.5% (2010: 16.5%)	$ 730,536	$ (25,801,819)
Tax effect of non-deductible expenses	-	30,926
Tax effect of non-taxable income	(45,657)	(290,325)
Others	331	28,314
Actual tax expense/(credit)	$ 685,210	$ (26,032,904)

3 Income tax in the statement of comprehensive income (continued)

(c) Deferred tax liabilities and assets recognised:

The components of deferred tax liabilities/(assets) recognised in the balance sheet and the movements during the year are as follows:

	Valuation of investment property	*Depreciation allowances in excess of related depreciation*	*Future benefit of tax losses*	*Total*
At 1 April 2009	$ 53,956,759	$ 11,243,242	$ (24,810,163)	$ 40,389,838
(Credited)/charged to income and expenditure account	(25,187,872)	1,305,425	(2,150,457)	(26,032,904)
Charged to property revaluation reserve	8,254,208	-	-	8,254,208
At 31 March 2010	$ 37,023,095	$ 12,548,667	$ (26,960,620)	$ 22,611,142
At 1 April 2010	$ 37,023,095	$ 12,548,667	$ (26,960,620)	$ 22,611,142
Charged/(credited) to income and expenditure account	639,375	1,292,879	(1,247,044)	685,210
At 31 March 2011	$ 37,662,470	$ 13,841,546	$ (28,207,664)	$ 23,296,352

4 Remuneration of the Members of the Board of Trustees and General Committee

The remuneration of the members of the Board of Trustees and the General Committee disclosed in accordance with the provisions of section 161 of the Hong Kong Companies Ordinance, as applicable to the members, is as follows:

	2011	*2010*
Fees	$ -	$ -
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
	$ -	$ -

5 Fixed assets

(a)

	Leasehold land and building	Leasehold improvements	Furniture and fixtures	Office equipment	Kitchen equipment	Crockery, cutlery and glassware	Sub-total	Investment property	Total
Cost or valuation:									
At 1 April 2010	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 833,872	$ 1,779,134	$ 539,804	$ 47,252,173	$ 420,346,233	$ 467,598,406
Additions	-	-	-	6,080	23,800	-	29,880	-	29,880
Disposals	-	-	-	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	-	3,875,000	3,875,000
At 31 March 2011	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 839,952	$ 1,802,934	$ 539,804	$ 47,282,053	$ 424,221,233	$ 471,503,286
Representing:									
Cost	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 839,952	$ 1,802,934	$ 539,804	$ 47,282,053	$ -	$ 47,282,053
Valuation - 2011	-	-	-	-	-	-	-	424,221,233	424,221,233
	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 839,952	$ 1,802,934	$ 539,804	$ 47,282,053	$ 424,221,233	$ 471,503,286
Accumulated amortisation and depreciation:									
At 1 April 2010	$ 6,970,227	$ 6,174,256	$ 2,723,904	$ 775,700	$ 1,456,079	$ 538,184	$ 18,638,350	$ -	$ 18,638,350
Charge for the year	280,772	771,782	320,628	19,505	161,653	1,296	1,555,636	-	1,555,636
Written back on disposals	-	-	-	-	-	-	-	-	-
At 31 March 2011	$ 7,250,999	$ 6,946,038	$ 3,044,532	$ 795,205	$ 1,617,732	$ 539,480	$ 20,193,986	$ -	$ 20,193,986
Net book value:									
At 31 March 2011	$ 22,036,361	$ 4,630,691	$ 190,742	$ 44,747	$ 185,202	$ 324	$ 27,088,067	$ 424,221,233	$ 451,309,300

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5 Fixed assets (continued)

(a) (continued)

	Leasehold land and building	*Leasehold improvements*	*Furniture and fixtures*	*Office equipment*	*Kitchen equipment*	*Crockery, cutlery and glassware*	*Sub-total*	*Investment property*	*Total*
Cost or valuation:									
At 1 April 2009	$ 44,261,860	$ 11,576,729	$ 3,234,835	$ 876,850	$ 1,779,134	$ 539,804	$ 62,269,212	$ 508,000,000	$ 570,269,212
Additions	-	-	439	12,300	-	-	12,739	-	12,739
Disposals	-	-	-	(55,278)	-	-	(55,278)	-	(55,278)
Fair value adjustment	-	-	-	-	-	-	-	(152,653,767)	(152,653,767)
Fair value change transferred to equity	50,025,500	-	-	-	-	-	50,025,500	-	50,025,500
Transfer	(65,000,000)	-	-	-	-	-	(65,000,000)	65,000,000	-
At 31 March 2010	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 833,872	$ 1,779,134	$ 539,804	$ 47,252,173	$ 420,346,233	$ 467,598,406
Representing:									
Cost	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 833,872	$ 1,779,134	$ 539,804	$ 47,252,173	$ -	$ 47,252,173
Valuation - 2010	-	-	-	-	-	-	-	420,346,233	420,346,233
	$ 29,287,360	$ 11,576,729	$ 3,235,274	$ 833,872	$ 1,779,134	$ 539,804	$ 47,252,173	$ 420,346,233	$ 467,598,406
Accumulated amortisation and depreciation:									
At 1 April 2009	$ 6,557,312	$ 5,402,474	$ 2,402,446	$ 804,954	$ 1,295,616	$ 536,888	$ 16,999,690	$ -	$ 16,999,690
Charge for the year	412,915	771,782	321,458	26,024	160,463	1,296	1,693,938	-	1,693,938
Written back on disposals	-	-	-	(55,278)	-	-	(55,278)	-	(55,278)
At 31 March 2010	$ 6,970,227	$ 6,174,256	$ 2,723,904	$ 775,700	$ 1,456,079	$ 538,184	$ 18,638,350	$ -	$ 18,638,350
Net book value:									
At 31 March 2010	$ 22,317,133	$ 5,402,473	$ 511,370	$ 58,172	$ 323,055	$ 1,620	$ 28,613,823	$ 420,346,233	$ 448,960,056

(b) Investment property and leasehold land and building are held in Hong Kong under a 999-year lease from the HKSAR Government until 10 May 2848.

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5 Fixed assets (continued)

(c) ***The analysis of net book value of properties is as follows:***

	2011	*2010*
In Hong Kong		
- long leases	$ 446,257,594	$ 442,663,366
Representing:		
Land and buildings carried at cost	$ 22,036,361	$ 22,317,133
Investment properties carried at fair value	424,221,233	420,346,233
Interest in leasehold property classified as being held under finance leases	$ 446,257,594	$ 442,663,366

(d) The Club's investment property was revalued at 31 March 2011 by an independent firm of surveyors, Knight Frank Petty Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(e) The Club leases out investment property under operating leases. The current lease is for a period of eighty years, after which period of time all terms will be renegotiated. Properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property. None of the leases includes contingent rentals.

The total future minimum lease income under non-cancellable operating leases receivable are as follows:

	2011	*2010*
Within 1 year	$ 5,125,000	$ 5,125,000
After 1 year but within 5 years	25,625,000	25,625,000
After 5 years	371,471,233	376,596,233
	$ 402,221,233	$ 407,346,233

5 Fixed assets (continued)

(f) On 15 July 2009, the Club entered into an agreement (the "Agreement") to grant a lease of 80 years (the "Long Lease") of the Club Lusitano Building, subject to encumbrance of the existing tenancies, to Dynamic Business Limited (the "Lessee"), a wholly-owned subsidiary of Pioneer Global Group Limited ("the Parent Company"), listed on The Stock Exchange of Hong Kong Limited, for a consideration of $410 million (the "Transaction").

The receipt of the consideration in accordance with the Agreement is as follows:

- $41 million to be received as deposit on signing of the Agreement (the "First Tranche");

- $266.5 million to be received on completion (the "Completion") of the Transaction as defined in the Agreement (the "Second Tranche"); and

- $102.5 million ("the Deferred Portion") to be received in five equal half-yearly instalments of $20.5 million each starting from the 36th month from the date of Completion with interest receivable from the Lessee at 3 per cent per annum on the outstanding balance.

The Deferred Portion and the interest receivable are guaranteed by the Parent Company

Completion of the Transaction took place on 24 September 2009, with the First Tranche and Second Tranche received by the Club, and the Long Lease commencing on that same date.

In accordance with the terms of the Transaction, the Club has rented back the 23rd to the 27th floors of the Club Lusitano Building from the Lessee for own use. The rent for the 23rd and the 24th floors is determined by reference to market rates while the rent for the 25th to the 27th floors is at a nominal amount of $1 per annum. The initial rental period for 23rd to 27th floors is for three years with the renewal option held by the Club for the duration of the Long Lease. Renewals every three years during the Long Lease for the 23rd and the 24th floors are to be at market rates while for the 25th to the 27th floors are to be at the nominal amount of $1 per annum.

Consequent to the receipt of the First Tranche and the Second Tranche on 24 September 2009, the Club utilised $259.1 million out of the $307.5 million received to repay the entire bank loans outstanding as at that date of $258.7 million together with interest accrued and bank charges of $0.4 million. Further payment of $7,283,425 was made to the Portuguese Community Education & Welfare Foundation Inc. to settle the outstanding loan of $7,283,425 and interest of $1,593,113 payable in respect of this amount has been waived by the Portuguese Community Education & Welfare Foundation Inc. and credited to the Club income and expenditure account during the previous year ended 31 March 2010.

6 Available-for-sale securities

	2011	*2010*
Listed in Hong Kong	$ 10,981,115	$ 4,639,674
Market value of listed securities	$ 10,981,115	$ 4,639,674

The available-for-sale securities as at 31 March 2011 were pledged to a bank against issuance of two guarantees totalling $927,535 (2010: $927,535) in favour of the lessee as security deposits for rent and service charges in respect of the 23rd to the 27th floors of the Club Lusitano Building.

7 Inventories

	2011	*2010*
Food	$ 21,944	$ 37,773
Beverages	48,531	15,122
Beer and wines	11,444	61,924
	$ 81,919	$ 114,819

All inventories are expected to be recovered within one year.

8 Trade and other receivables

Included in trade and other receivables is $102.5 million of receivable in relation to the Transaction (note 5(f)) which is to be received in five equal half-yearly instalments of $20.5 million each starting from September 2012. The outstanding balance bears interest at 3 per cent per annum.

All the trade and other receivables are expected to be recovered or recognised as an expense within one year. None of the trade debtors are impaired or past due and primarily relate to due from its members.

9 Cash and cash equivalents

	2011	2010
Deposits with banks and other financial institutions	$ 28,764	$ 28,761
Cash at bank and in hand	29,604,744	38,078,314
Cash and cash equivalents in the balance sheet	$ 29,633,508	$ 38,107,075

Included in cash and cash equivalents are the following amounts denominated in a currency other than the Club's functional currency:

	2011		2010	
Euros	EUR	3,245	EUR	3,245
Sterling Pounds	GBP	122	GBP	122
United States Dollars	USD	8,449	USD	8,448
Australian Dollars	AUD	10,586	AUD	10,575

10 Deferred income and trade and other payables

Deferred income represents consideration received from the lease of the Club Lusitano Building for a period of 80 years (see note 5(f)) and is accounted for in accordance with accounting policy set out in note 1(c)(i). The amount expected to be recognised as income more than one year after the balance sheet date is included in non-current liabilities.

All trade and other payables are expected to be settled within one year.

11 Reserves

(a) *Components of the Club's reserves*

The opening and closing balances of each component of the Club's equity and a reconciliation between these amounts are set out in the statement of changes in equity.

(b) *Nature and purpose of reserves*

(i) Investment fluctuation fund

This fund had been established in order to set aside reserve for exchange fluctuations relating to foreign currency deposits. Transfers to and from this fund are made at the discretion of the Board of Trustees. During the year the Board of Trustees transferred the balance in the investment fluctuation fund to the general fund.

11 Reserves (continued)

(b) Nature and purpose of reserves (continued)

(ii) Investment surplus account

This reserve has been established in order to account for surpluses and deficits from investments. Transfers to and from this reserve are made at the discretion of the Board of Trustees.

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in note 1(g).

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies for properties held for own use set out in note 1(e).

(c) Capital management

The Club's primary objectives when managing capital are to safeguard the Club's ability to continue as a going concern so that it can continue to provide services to its members at reasonable cost.

The Club defines "capital" as including all components of equity.

The Club's capital structure is regularly reviewed and managed. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Club, to the extent that these do not conflict with the Board of Trustees' and the General Committee's fiduciary duties towards the Club or the requirements of the Hong Kong Companies Ordinance.

There has been no change in the Club's capital management practices as compared to prior year and the Club is not subject to any externally imposed capital requirements in either the current year or prior year.

12 Limited by guarantee

Under the provisions of the Club's memorandum of association, every member shall, in the event of the Club being wound up, contribute such amount as may be required to meet the liabilities of the Club but not exceeding $5 each.

13 Operating lease commitments

At 31 March 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	*2010*
Within one year	$ 2,578,176	$ 2,578,176
One to five years	1,238,957	3,817,133
	$ 3,817,133	$ 6,395,309

The Club is the lessee in respect of certain floors of the Club premises under operating lease. The lease runs for an initial period of three years, at the end of which all terms will be renegotiated. The lease does not include any contingent rentals.

14 Financial instruments

Exposure to credit, liquidity, foreign currency and equity price risks arises in the normal course of the Club's business. The Club's exposure to these risks and the financial risk management policies and practices used by the Club to manage these risks are described below:

(a) Credit risk

The Club's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents.

In respect of trade and other receivables, the General Committee has a credit policy in place and the exposure to each debtor is monitored on an ongoing basis. The major amount pertains to receivable of $102,500,000 from the Lessee. The Board of Trustees closely monitor the financial condition of the Parent Company of the Lessee as and when the Parent Company announces its results publicly. The other amounts primarily relate to long standing members, and hence the risks associated with recovery is considered to be low. Bank balances are placed with major financial institutions with sound credit rating.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

14 Financial instruments (continued)

(b) Liquidity risk

The Club's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Foreign currency risk

The Club's functional currency is Hong Kong dollars. The Club is exposed to foreign currency risk as certain cash balances are denominated in foreign currencies, principally in Euros, the United States Dollars ("USD"), Australian Dollars and Sterling Pounds. As the Hong Kong Dollars ("HKD") is pegged to the USD, the Club does not expect any significant movements in the USD/HKD exchange rate. The General Committee considers the foreign currency exposure arising from other currencies to be immaterial as at 31 March 2011.

(d) Equity price risk

The Club is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 6).

The Club's equity investments are listed investments, listed on the Stock Exchange of Hong Kong. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Club.

At 31 March 2011, it is estimated that an increase/(decrease) of 5% (2010: 5%) in the quoted price of the equity investments would have increased/decreased the Club's fair value reserve by approximately $549,056 (2010: $231,984).

The sensitivity analysis above indicates the instantaneous change in the Club's fair value reserve that would arise assuming that the change in the Hang Seng index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose the Club to equity price risk at the end of the reporting period. It is also assumed that none of the Club's available-for-sale investments would be considered to be further impaired as a result of the decrease in the quoted price of the equity investments, and that all other risk variables remain constant. The analysis has been performed on the same basis for 2010.

14 Financial instruments (continued)

(e) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	2011			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale securities	$10,981,115	$ -	$ -	$10,981,115

	2010			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale securities	$ 4,639,674	$ -	$ -	$ 4,639,674

During the year there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 March 2011 and 2010.

14 Financial instruments (continued)

(f) Estimation of fair values

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

15 Material related party transactions

In addition to the transactions and balances disclosed in note 2 to these financial statements, the Club entered into the following material related party transaction:

	2011	*2010*
Interest expenses on loan from Portuguese related association	$ -	$ 187,431
Write back of interest payable waived	-	1,593,113

16 Accounting judgements and estimates

(a) Critical accounting judgements in applying the Club's accounting policies

In the process of applying the Club's accounting policies, the General Committee has made the following accounting judgement in respect of the classification of lease:

During the year, the Club entered into the Transaction as detailed in of note 5(f). The Long Lease was classified as an operating lease for both the land and building elements of the Club Lusitano Building's basement to 24th floors and hence is classified under investment properties. The lease of the land element was classified as an operating lease as the duration of the arrangement is for 80 years out of the Club's remaining lease term with the HKSAR Government of 838 years. The lease of the building was classified as an operating lease as the arrangement does not transfer ownership of the building element to the Lessee by the end of the lease term, and the General Committee is of the view that the life of the Club will extend beyond the 80 year lease of the Club building.

The 23-24 floors have been leased out as noted in note 5(f) and leased back at market rentals which is to be determined every 3 years at market levels. As these have been leased out and the Club does not retain any ongoing underlying benefit in these floors over the 80 years, the 23-24 floors have been re-classified from land and buildings to investment properties during the current year (see note 5).

The 25-27 floors have been leased out (see note 5(f)) and leased back at a nominal rent of $1 per annum. As the Club retains the ongoing full benefit of these floors for own use they continue to be classified as own use land and building under fixed assets.

16 Accounting judgements and estimates (continued)

(b) Major sources of estimation uncertainty

Note 14 contain information about the assumptions and their risk factors relating to financial instruments. Other major areas of estimation uncertainty are as follows:

(i) Estimated useful lives and depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Club.

Management reviews the useful lives of property, plant and equipment annually, and if expectations are significantly different from previous estimates of useful lives, the useful lives and, therefore, the depreciation rate for the future periods is adjusted accordingly.

(ii) Valuation of investment properties

The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The group appoints independent professionally qualified valuers to conduct annual revaluations of its investment properties which take into consideration the net income allowing for reversionary potential and other assumptions which are based on market conditions existing at the balance sheet date, current market sales prices and the appropriate capitalisation rate.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2011 and which have not been adopted in these financial statements.

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