



## Discovery Bay City Owners' Fund

31 March 2010



## Independent auditor's report to the Owners of Discovery Bay City Owners' Fund ("the Fund")

We have audited the accounts of the Fund set out on pages 3 to 18, which comprise the balance sheet as at 31 March 2010, and the statement of comprehensive income, statement of changes in reserves and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Manager's responsibility for the accounts**

The Manager of the Fund is responsible for the preparation and the true and fair presentation of these accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these accounts based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts 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 Manager, as well as evaluating the overall presentation of the accounts.

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



## Independent auditor's report to the Owners of Discovery Bay City Owners' Fund ("the Fund") (continued)

### **Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of the Fund as at 31 March 2010 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

### **Use of report**

This report is intended solely for the information of, and use by, the owners of the Fund and is not intended for any other purpose. This report should not be disclosed, referred to or quoted in whole or in part without our prior written consent.

  
Certified Public Accountants

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

27 SEP 2010

Statement of comprehensive income  
for the year ended 31 March 2010  
(Expressed in Hong Kong dollars)

	Note	2010					2009						
		Management Fund	Renovation Fund	Road Usage Fund	Maintenance Reserve	Cumulative Surplus	Total	Management Fund	Renovation Fund	Road Usage Fund	Maintenance Reserve	Cumulative Surplus	Total
<b>Income</b>													
Management fee income	3	\$ -	\$ -	\$ -	\$ -	\$ 131,832,951	\$ 131,832,951	\$ -	\$ -	\$ -	\$ -	\$ 132,112,184	\$ 132,112,184
Non-refundable deposit income		875,152	-	-	-	-	875,152	550,119	-	-	-	-	550,119
Renovation fee income		-	-	-	-	-	-	-	18,116,448	-	-	-	18,116,448
Other service income		-	-	-	-	482,932	482,932	-	-	-	-	798,498	798,498
Interest income		-	108,954	-	1,165,930	1,194,244	2,469,128	-	187,423	-	-	3,427,804	3,615,227
Road usage income		-	-	1,529,846	-	-	1,529,846	-	-	1,522,377	-	-	1,522,377
Other income		109,701	-	-	-	3,059,470	3,169,171	51,846	422,428	-	-	2,907,659	3,381,933
		<u>\$ 984,853</u>	<u>\$ 108,954</u>	<u>\$ 1,529,846</u>	<u>\$ 1,165,930</u>	<u>\$ 136,569,597</u>	<u>\$ 140,359,180</u>	<u>\$ 601,965</u>	<u>\$ 18,726,299</u>	<u>\$ 1,522,377</u>	<u>\$ -</u>	<u>\$ 139,246,145</u>	<u>\$ 160,096,786</u>
<b>Expenditure</b>													
Staff costs	4(a)	\$ -	\$ -	\$ -	\$ -	\$ 31,913,957	\$ 31,913,957	\$ -	\$ -	\$ -	\$ -	\$ 31,943,281	\$ 31,943,281
Security		-	-	714,351	-	21,864,313	22,578,664	-	-	117,486	-	22,397,514	22,515,000
Cleaning and pest control		-	-	-	-	14,256,868	14,256,868	189,200	-	-	-	13,530,326	13,719,526
Concierge service		-	-	-	-	2,451,828	2,451,828	-	-	-	-	1,131,372	1,131,372
Utilities		-	-	-	-	11,557,786	11,557,786	-	-	-	-	12,632,330	12,632,330
Repairs and maintenance		-	-	-	1,894,580	13,927,557	15,822,137	10,200	-	28,850	1,671,230	14,169,631	15,879,911
Landscape expenses		-	-	-	-	2,297,286	2,297,286	-	-	-	-	1,071,601	1,071,601
Depreciation		-	-	-	-	454,751	454,751	-	-	-	-	432,133	432,133
Rent and rates		-	-	-	-	2,516,824	2,516,824	-	-	-	-	2,618,667	2,618,667
Manager's fee	1	-	68,761	848,534	-	6,552,573	7,469,868	-	1,091,377	-	-	6,652,437	7,743,814
Renovation works		-	5,403,566	-	-	-	5,403,566	-	22,863,438	-	-	-	22,863,438
Other expenses		-	580,903	437,516	154,990	11,841,173	13,014,582	226,711	1,813,719	57,960	100,000	10,621,567	12,819,957
		<u>\$ -</u>	<u>\$ 6,053,230</u>	<u>\$ 2,000,401</u>	<u>\$ 2,049,570</u>	<u>\$ 119,634,916</u>	<u>\$ 129,738,117</u>	<u>\$ 426,111</u>	<u>\$ 25,768,534</u>	<u>\$ 204,296</u>	<u>\$ 1,771,230</u>	<u>\$ 117,200,859</u>	<u>\$ 145,371,030</u>
<b>Surplus/(deficit) and total comprehensive income for the year</b>													
	4	<u>\$ 984,853</u>	<u>\$ (5,944,276)</u>	<u>\$ (470,555)</u>	<u>\$ (883,640)</u>	<u>\$ 16,934,681</u>	<u>\$ 10,621,063</u>	<u>\$ 175,854</u>	<u>\$ (7,042,235)</u>	<u>\$ 1,318,081</u>	<u>\$ (1,771,230)</u>	<u>\$ 22,045,286</u>	<u>\$ 14,725,756</u>

The notes on pages 8 to 18 form part of these accounts.



## Statement of changes in reserves for the year ended 31 March 2010 (Expressed in Hong Kong dollars)

	<i>Management Fund (Note 9(b)(i))</i>	<i>Renovation Fund (Note 9(b)(ii))</i>	<i>Road Usage Fund (Note 9(b)(iii))</i>	<i>Maintenance Reserve (Note 9(b)(iv))</i>	<i>Cumulative Surplus</i>	<i>Total</i>
<b>Balance at 1 April 2008</b>	\$ 40,037,893	\$ 9,510,516	\$ -	\$ 95,207,908	\$ 37,605,070	\$182,361,387
Transfers among various funds	-	8,332,000	(1,318,081)	(7,013,919)	-	-
Transfer from Cumulative Surplus to Maintenance Reserve	-	-	-	22,685,200	(22,685,200)	-
Total comprehensive income for the year	<u>175,854</u>	<u>(7,042,235)</u>	<u>1,318,081</u>	<u>(1,771,230)</u>	<u>22,045,286</u>	<u>14,725,756</u>
<b>Balance at 31 March 2009</b>	<u>\$ 40,213,747</u>	<u>\$ 10,800,281</u>	<u>\$ -</u>	<u>\$109,107,959</u>	<u>\$ 36,965,156</u>	<u>\$197,087,143</u>
<b>Balance at 1 April 2009</b>	\$ 40,213,747	\$ 10,800,281	\$ -	\$109,107,959	\$ 36,965,156	\$197,087,143
Transfers among various funds	(998,496)	252,460	470,555	275,481	-	-
Transfer from Cumulative Surplus to Maintenance Reserve	-	-	-	17,921,200	(17,921,200)	-
Total comprehensive income for the year	<u>984,853</u>	<u>(5,944,276)</u>	<u>(470,555)</u>	<u>(883,640)</u>	<u>16,934,681</u>	<u>10,621,063</u>
<b>Balance at 31 March 2010</b>	<u>\$ 40,200,104</u>	<u>\$ 5,108,465</u>	<u>\$ -</u>	<u>\$126,421,000</u>	<u>\$ 35,978,637</u>	<u>\$207,708,206</u>

The notes on pages 8 to 18 form part of these accounts.

**Cash flow statement**  
**for the year ended 31 March 2010**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Operating activities</b>			
Surplus for the year		\$ 10,621,063	\$ 14,725,756
Adjustments for:			
- Depreciation		454,751	432,133
- Interest income		(2,469,128)	(3,615,227)
- Gain on disposal of fixed assets		<u>(18,999)</u>	<u>-</u>
<b>Operating surplus before changes in working capital</b>		<b>\$ 8,587,687</b>	<b>\$ 11,542,662</b>
Increase in inventories		(186,753)	(20,078)
Decrease in debtors, other receivables, deposits and prepayments		2,996,462	5,250,973
(Decrease)/increase in creditors and accrued charges		(1,206,210)	3,822,664
Decrease/(increase) in amounts due from Hong Kong Resort Group Companies, net		<u>637,273</u>	<u>(1,672,332)</u>
<b>Net cash generated from operating activities</b>		<b>\$ 10,828,459</b>	<b>\$ 18,923,889</b>
<b>Investing activities</b>			
Payments for the purchase of fixed assets		\$ (1,227,968)	\$ (325,352)
Proceeds from the sale of fixed assets		19,000	-
Interest received		2,469,128	3,615,227
Increase in fixed deposits		<u>-</u>	<u>(195,000,000)</u>
<b>Net cash generated from/(used in) investing activities</b>		<b>\$ 1,260,160</b>	<b>\$ (191,710,125)</b>

Cash flow statement  
for the year ended 31 March 2010 (continued)  
(Expressed in Hong Kong dollars)

	Note	2010	2009
<b>Net increase/(decrease) in cash and cash equivalents</b>		\$ 12,088,619	\$ (172,786,236)
<b>Cash and cash equivalents at 1 April 2009/2008</b>		<u>5,138,948</u>	<u>177,925,184</u>
<b>Cash and cash equivalents at 31 March 2010/2009</b>	8	<u>\$ 17,227,567</u>	<u>\$ 5,138,948</u>

The notes on pages 8 to 18 form part of these accounts.



## Notes to the accounts

(Expressed in Hong Kong dollars)

### 1 General

The Discovery Bay City Owners' Fund (the "Fund") was established under the Deed of Mutual Covenant dated 30 September 1982 (the "Deed") which was registered with the District Lands Office on 10 November 1982, Memorial No. 112018. Discovery Bay Services Management Limited (the "Manager") was appointed as manager of the Fund pursuant to the Deed and was required to fulfil its obligations and duties stipulated in the Deed. The Manager's fee is calculated at 5% of the total expenditure as set out in Section IV Clause C.1 of the Deed. There was a rebate of 2% of the actual amount of renovation work done to the village concerned since 30 November 2005.

### 2 Significant accounting policies

#### (a) Statement of compliance

These accounts 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") and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Fund. Of these, HKAS 1 (revised 2007), *Presentation of financial statements*, is relevant to the Fund's accounts.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in reserves during the period arising from transactions with equity owners in their capacity as such have been presented separately from all other income and expenditure in a revised statement of changes in reserves. All other items of income and expenditure are presented in the statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on net assets for any period presented.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

## 2 Significant accounting policies (continued)

### (b) *Basis of preparation of the accounts*

The measurement basis used in the preparation of the accounts is the historical cost basis.

The preparation of accounts 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 expenditure. 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.

### (c) *Fixed assets*

Fixed assets 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 fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture, fixtures and equipment	3 - 5 years
Plant and machinery	3 - 7 years
Motor vehicles	5 - 10 years

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

The carrying amounts of the fixed assets 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 the time value of money and the risk specific to the asset. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of comprehensive income on the date of retirement or disposal.

## 2 Significant accounting policies (continued)

### (d) Inventories

Inventories, which mainly consist of spare parts and consumable stores, 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 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 necessary to make the sale.

When inventories are sold, the carrying amount of those 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.

### (e) Debtors and other receivables

Debtors and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance 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 allowance 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 Fund 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 debtors and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Fund is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors and others receivables 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 the statement of comprehensive income.

## **2 Significant accounting policies (continued)**

### **(f) Creditors and other payables**

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

### **(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in 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.

### **(h) Employee benefits**

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

### **(i) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Fund 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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 2 Significant accounting policies (continued)

### (j) *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 Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

- (i) Management fee, renovation fee, non-refundable deposit, road usage and other service income are recognised on an accruals basis.
- (ii) Interest income is recognised as it accrues using the effective interest method.

### (k) *Operating lease charges*

Where the Fund has the use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income 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 the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

### (l) *Allocation of expenses*

Expenses relating specifically to a village or to the water works have been allocated directly to that village or to the water works. All other expenses have been allocated to the Discovery Bay City and recharged to the villages, residents club, golf club, marina club, commercial centres and schools on the basis of management units allocated to each in accordance with the Deed.

Expenses relating to the management of the residents club, golf club, marina club, commercial centres and schools do not affect the accounts of the Fund as they are dealt with separately in their respective accounts.

### (m) *Related parties*

For the purposes of these accounts, a party is considered to be related to the Fund if:

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

**2 Significant accounting policies (continued)**

**(m) Related parties (continued)**

- (iii) the party is a member of key management personnel of the Fund, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (iv) 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
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Fund or of any entity that is a related party of the Fund.

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.

**3 Management fee income**

Management fee income are calculated and charged to all residential units, residents club, golf club, marina club, the commercial centres and schools in proportion to the number of management units allocated.

**4 Surplus/(deficit) for the year**

*Surplus/(deficit) for the year is arrived at after charging:*

	<i>2010</i>	<i>2009</i>
(a) Staff costs:		
Contributions to defined contribution retirement plan	\$ 1,132,129	\$ 1,224,115
Salaries, wages and other benefits	<u>30,781,828</u>	<u>30,719,166</u>
	<u>\$ 31,913,957</u>	<u>\$ 31,943,281</u>
(b) Other items:		
Auditor's remuneration	\$ 74,000	\$ 71,000
Operating lease charges in respect of land and buildings	<u>2,542,015</u>	<u>2,652,820</u>

**5 Fixed assets**

	<i>Furniture, fixtures and equipment</i>	<i>Plant and machinery</i>	<i>Motor vehicles (Note)</i>	<i>Total</i>
<b>Cost:</b>				
At 1 April 2008	\$ 754,117	\$ 2,903,105	\$ 1,707,634	\$ 5,364,856
Additions	<u>131,649</u>	<u>193,703</u>	<u>-</u>	<u>325,352</u>
At 31 March 2009	<u>\$ 885,766</u>	<u>\$ 3,096,808</u>	<u>\$ 1,707,634</u>	<u>\$ 5,690,208</u>
<b>Depreciation:</b>				
At 1 April 2008	\$ 552,542	\$ 2,176,766	\$ 1,655,783	\$ 4,385,091
Charge for the year	<u>138,226</u>	<u>242,062</u>	<u>51,845</u>	<u>432,133</u>
At 31 March 2009	<u>\$ 690,768</u>	<u>\$ 2,418,828</u>	<u>\$ 1,707,628</u>	<u>\$ 4,817,224</u>
<b>Net book value:</b>				
At 31 March 2009	<u>\$ 194,998</u>	<u>\$ 677,980</u>	<u>\$ 6</u>	<u>\$ 872,984</u>
<b>Cost:</b>				
At 1 April 2009	\$ 885,766	\$ 3,096,808	\$ 1,707,634	\$ 5,690,208
Additions	712,313	208,248	307,407	1,227,968
Disposals	<u>-</u>	<u>(4,980)</u>	<u>-</u>	<u>(4,980)</u>
At 31 March 2010	<u>\$ 1,598,079</u>	<u>\$ 3,300,076</u>	<u>\$ 2,015,041</u>	<u>\$ 6,913,196</u>
<b>Depreciation:</b>				
At 1 April 2009	\$ 690,768	\$ 2,418,828	\$ 1,707,628	\$ 4,817,224
Charge for the year	203,060	238,882	12,809	454,751
Written back on disposals	<u>-</u>	<u>(4,979)</u>	<u>-</u>	<u>(4,979)</u>
At 31 March 2010	<u>\$ 893,828</u>	<u>\$ 2,652,731</u>	<u>\$ 1,720,437</u>	<u>\$ 5,266,996</u>
<b>Net book value:</b>				
At 31 March 2010	<u>\$ 704,251</u>	<u>\$ 647,345</u>	<u>\$ 294,604</u>	<u>\$ 1,646,200</u>

Note: Motor vehicles are registered under the name of the Manager.

**6 Amounts due from/to Hong Kong Resort Group Companies**

The Hong Kong Resort Group Companies represent fellow subsidiaries or related companies of Hong Kong Resort Company Limited, the immediate holding company of the Manager. The amounts due from/to Hong Kong Resort Group Companies are unsecured, interest-free and have no fixed terms of repayment.

**7 Fixed deposits**

Fixed deposits represent bank deposits with more than three months of maturity at acquisition.

**8 Cash and cash equivalents**

	<u>2010</u>	<u>2009</u>
Deposits with banks	\$ -	\$ 4,000,000
Cash at bank and in hand	<u>17,227,567</u>	<u>1,138,948</u>
Cash and cash equivalents	<u>\$17,227,567</u>	<u>\$ 5,138,948</u>

Note: The bank accounts are opened under the name of Discovery Bay Services Management Limited - DB City Owners' Fund and Discovery Bay Services Management Limited - DB City Owners' Reserve Fund.

**9 Reserves**

**(a) Component of the Fund's capital and reserves**

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

**(b) Nature and purpose of the reserves**

- (i) The Management Fund represents deposits and miscellaneous funds received from the owners of the residential units which are non-refundable. Majority of the balance at the balance sheet date represents management fee deposits.
- (ii) The Renovation Fund represents fees received from the owners of certain villages for current renovations.
- (iii) The Road Usage Fund represents annual renewal license fees for motor vehicles and parking fees received from users less any road maintenance fees incurred during the year. The balance is transferred to Maintenance Reserve on a yearly basis.
- (iv) In accordance with the Deed, certain management fee incurred for the year has to be set aside and transferred to the Maintenance Reserve. The Maintenance Reserve has been established in order to provide funds to cover the estimated costs of replacement of capital items and major repairs and maintenance. The amount to be transferred from Cumulative Surplus in each year is determined after consultation with the respective Owners' Committees.



## 9 Reserves (continued)

### (c) *Capital management*

The Fund's primary objectives when managing capital are to safeguard the Fund's ability to continue as a going concern, so that it can continue to manage Discovery Bay City (the "City") and the matters incidental to or connected with the management of the City.

The Fund defines "capital" as including all reserves maintained by the Fund. The Fund actively and regularly reviews and manages its capital structure to ensure effective use of reserves and sound financial status of the Fund. The Fund's overall capital management strategy remains unchanged from prior year.

## 10 Financial risk management and fair values

Potential exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Fund's operations. The Fund exposure to these risks and the financial risk management policies and practices used by the Fund to manage these risks are described below.

### (a) *Credit risk*

The Fund's credit risk is primarily attributable to management fees receivable. The Manager has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

At the balance sheet date, the Fund did not hold any other assets which would expose the Fund to significant credit risk.

### (b) *Liquidity risk*

The manager's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

### (c) *Interest rate risk*

At the balance sheet date, the Fund did not hold any assets or liabilities which would expose the Fund to significant interest rate risk.

### (d) *Foreign currency risk*

The manager has no exposure to foreign currency risk as all of the Fund's transactions are denominated in Hong Kong dollars.

### (e) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2010.

**11 Commitments**

(a) Capital commitments in respect of the purchase of fixed assets, common facilities and improvement projects outstanding as at 31 March 2010 not provided for in the accounts were as follows:

	<i>2010</i>	<i>2009</i>
Contracted for	\$ 6,766,723	\$ 10,321,311
	<u>=====</u>	<u>=====</u>

(b) The Fund grants permission to telecommunication companies for installing antenna under license agreements. The agreements typically run for an initial period of one to three years.

At 31 March 2010, the total future minimum license fee income under non-cancellable license agreements are receivable as follows:

	<i>2010</i>	<i>2009</i>
Within 1 year	\$ 450,000	\$ 507,000
	<u>=====</u>	<u>=====</u>

**12 Material related party transactions**

During the year, the Fund had the following material transactions with Hong Kong Resort Group Companies:

	<i>2010</i>	<i>2009</i>
Management fees received/receivable	\$ 4,630,506	\$ 5,624,478
Other service fees and charges received/ receivable	938,676	1,260,238
Rentals paid/payable	1,413,885	1,524,870
Administration and other service charges paid/payable	2,486,763	2,268,092
Ferry fares paid/payable	786,215	646,898
Purchase of inventories	111,858	132,630
	<u>=====</u>	<u>=====</u>

**13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2010**

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been adopted in these accounts.

The Fund 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 Fund's results of operations and financial position.

**14 Comparative figures**

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, certain comparative figures have been adjusted to conform to current year's presentation. Further details of this development are disclosed in note 2 (a).

Detailed statement of comprehensive income  
for the year ended 31 March 2010  
(Expressed in Hong Kong dollars)

	Headland Village	Beach Village	Partridge Village	Midvale Village	Parkvale Village	Hillgrove Village	Parkland Village	Peninsula Village	Greenvale Village	D.B. Plaza (Residential units)	La Vista Village	Bijou Hamlet Village	La Costa Village	Neo Horizon Village	Siena One	Siena Two A	Siena Two B	Chianti	Water Works	Commercial Centre/ Clubs/ Schools	City	2010 Total	Elimination	2010 Total		
<b>Income</b>																										
Management fee income	\$ 6,901,536	\$ 7,504,464	\$ 5,822,208	\$ 6,616,896	\$ 8,375,936	\$ 4,395,384	\$ 1,436,148	\$ 21,330,336	\$ 15,210,432	\$ 2,096,352	\$ 6,625,752	\$ 1,360,128	\$ 5,088,356	\$ 3,238,416	\$ 6,606,564	\$ 2,567,796	\$ 10,990,152	\$ 12,763,400	\$ -	\$ 2,902,695	\$ -	\$ 131,832,951	\$ -	\$ 131,832,951		
Civil electrical and mechanical services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,290,424	8,290,424	(8,287,744)	2,680
Landscape services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,055,380	7,055,380	(6,738,177)	297,403
Water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,146,829	-	-	-	2,146,829	2,146,829	(1,963,980)	182,849
Interest income	77,871	81,270	31,257	69,486	52,822	70,612	17,277	156,555	42,807	6,715	33,010	16,979	34,752	132,093	65,681	32,356	61,260	136,740	34,473	-	40,228	1,194,244	1,194,244	-	1,194,244	
Profit on disposal of fixed assets	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,000	18,999	-	18,999	
Sundry income	(22,191)	11,278	24,772	3,957	10,322	5,010	18,868	282,526	27,959	(8,248)	17,042	903	7,317	1,717,381	8,567	2,999	46,607	160,180	120,000	-	605,721	3,040,471	-	3,040,471		
	\$ 6,957,216	\$ 7,597,009	\$ 5,878,237	\$ 6,690,339	\$ 8,439,083	\$ 4,471,006	\$ 1,472,293	\$ 21,769,417	\$ 15,281,198	\$ 2,094,819	\$ 6,675,804	\$ 1,378,010	\$ 5,130,425	\$ 5,087,890	\$ 6,680,812	\$ 2,603,151	\$ 11,098,019	\$ 13,060,320	\$ 2,301,302	\$ 2,902,695	\$ 16,010,453	\$ 153,579,499	\$(17,009,901)	\$ 136,569,597		
<b>Expenditure</b>																										
Staff costs	\$ 304,673	\$ 447,201	\$ 396,277	\$ 290,636	\$ 338,285	\$ 174,170	\$ 36,506	\$ 1,055,113	\$ 606,547	\$ 55,307	\$ 213,260	\$ 18,617	\$ 186,600	\$ 193,427	\$ 250,925	\$ 71,734	\$ 286,894	\$ 678,031	\$ -	\$ -	\$ -	\$ 26,309,754	\$ 31,913,957	\$ -	\$ 31,913,957	
Repair and maintenance	486,032	525,521	807,579	949,097	1,154,272	520,687	101,069	3,361,372	2,813,297	463,639	1,114,287	119,135	807,462	1,211,737	1,030,199	429,064	1,367,148	1,639,569	161,955	-	-	2,997,136	22,060,257	(8,132,700)	13,927,557	
Security	1,045,615	637,831	505,287	633,047	1,271,771	482,732	149,511	2,417,387	1,302,848	158,442	615,172	514,812	636,638	458,245	1,254,892	363,365	2,684,842	1,686,607	-	-	-	5,045,269	21,864,313	-	21,864,313	
Utilities	185,044	283,514	456,909	430,679	721,259	432,470	49,330	1,893,642	1,421,180	150,760	501,369	98,843	449,466	500,934	525,883	204,338	1,116,554	1,156,330	901,647	-	-	2,041,615	13,521,766	(1,963,980)	11,557,786	
Cleaning and pest control	252,985	808,401	673,544	748,802	753,879	377,807	165,026	1,636,824	1,251,557	255,973	648,836	128,233	501,644	418,161	761,769	260,868	1,090,583	1,665,492	-	-	-	1,886,094	14,236,868	-	14,236,868	
Landscape expenses	457,873	558,377	195,549	264,647	388,798	105,795	52,073	895,673	349,532	15,221	561,585	99,254	450,560	168,423	403,899	176,525	713,688	523,324	33,500	-	-	2,622,551	9,037,047	(6,739,761)	2,297,286	
Manager's fee	183,722	186,326	176,603	192,859	259,904	122,117	41,485	549,090	374,608	72,739	209,724	53,446	150,662	185,279	230,702	80,615	376,633	478,660	118,436	-	-	2,508,963	6,552,573	-	6,552,573	
Insurance	128,047	120,480	57,388	74,270	87,724	44,240	18,706	296,026	182,863	17,915	80,237	14,420	49,788	33,330	82,614	29,400	96,536	113,798	36,619	-	-	546,272	2,110,873	-	2,110,873	
Consumables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,994,254	4,994,254	-	4,994,254	
Rent and rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	738,760	-	-	1,778,064	2,516,824	-	2,516,824	
Services charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,004,100	1,004,100	-	1,004,100	
Depreciation	-	2,255	2,286	2,113	9,471	7,001	-	9,203	14,972	-	5,958	-	3,296	5,244	5,686	474	4,092	1,040	-	-	-	381,660	454,751	-	454,751	
Motor vehicles expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	546,329	555,693	-	555,693	
Printing and stationery	5,699	8,097	10,085	5,930	6,468	6,060	474	14,218	14,517	983	4,515	540	5,240	4,241	7,007	3,253	13,124	20,907	-	-	376,535	507,893	-	507,893		
Concierge service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,451,828	-	-	-	2,451,828	-	2,451,828	
Property tax	-	-	-	-	-	-	-	28,800	-	-	-	-	-	-	-	-	-	-	14,400	-	-	-	246,539	-	246,539	
Auditors' remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,000	74,000	-	74,000	
Miscellaneous expenses	44,782	44,637	50,774	32,926	73,728	(3,409)	(3,902)	81,771	168,744	6,790	32,593	15,784	47,389	101,022	53,181	22,371	81,653	159,807	176,880	-	-	1,333,800	2,521,281	(173,460)	2,347,821	
	\$ 3,094,472	\$ 3,622,640	\$ 3,332,481	\$ 3,625,006	\$ 5,065,559	\$ 2,269,670	\$ 610,278	\$ 12,239,119	\$ 8,500,665	\$ 1,197,769	\$ 3,987,536	\$ 1,063,044	\$ 3,288,745	\$ 3,483,382	\$ 4,606,757	\$ 1,642,007	\$ 7,802,147	\$ 10,584,957	\$ 2,182,197	\$ -	\$ 54,446,386	\$ 136,644,817	\$(17,009,901)	\$ 119,634,916		
Address																										
Share of city expenses	2,646,598	2,736,278	1,703,901	2,058,346	2,523,824	1,277,923	499,605	7,345,117	5,505,650	535,938	1,797,317	270,104	1,284,865	837,537	1,669,521	644,604	2,559,096	2,677,000	-	2,902,695	(41,435,911)	-	-	-		
<b>Total expenditure</b>	<b>\$ 5,741,070</b>	<b>\$ 6,358,919</b>	<b>\$ 5,036,382</b>	<b>\$ 5,683,352</b>	<b>\$ 7,589,383</b>	<b>\$ 3,547,595</b>	<b>\$ 1,069,883</b>	<b>\$ 19,584,256</b>	<b>\$ 14,006,315</b>	<b>\$ 1,733,707</b>	<b>\$ 5,784,853</b>	<b>\$ 1,333,148</b>	<b>\$ 4,573,610</b>	<b>\$ 4,320,919</b>	<b>\$ 6,276,278</b>	<b>\$ 2,286,611</b>	<b>\$ 10,361,243</b>	<b>\$ 13,261,957</b>	<b>\$ 2,182,197</b>	<b>\$ 2,902,695</b>	<b>\$ 13,010,445</b>	<b>\$ 136,644,817</b>	<b>\$(17,009,901)</b>	<b>\$ 119,634,916</b>		
<b>Surplus/(deficit) and total comprehensive income for the year</b>	<b>\$ 1,216,146</b>	<b>\$ 1,238,091</b>	<b>\$ 841,855</b>	<b>\$ 1,006,987</b>	<b>\$ 849,700</b>	<b>\$ 923,411</b>	<b>\$ 402,410</b>	<b>\$ 2,185,161</b>	<b>\$ 1,274,883</b>	<b>\$ 361,112</b>	<b>\$ 890,951</b>	<b>\$ 44,862</b>	<b>\$ 556,815</b>	<b>\$ 766,971</b>	<b>\$ 404,534</b>	<b>\$ 316,540</b>	<b>\$ 736,776</b>	<b>\$ (201,637)</b>	<b>\$ 119,105</b>	<b>\$ -</b>	<b>\$ 3,000,008</b>	<b>\$ 16,934,681</b>	<b>\$ -</b>	<b>\$ 16,934,681</b>		