



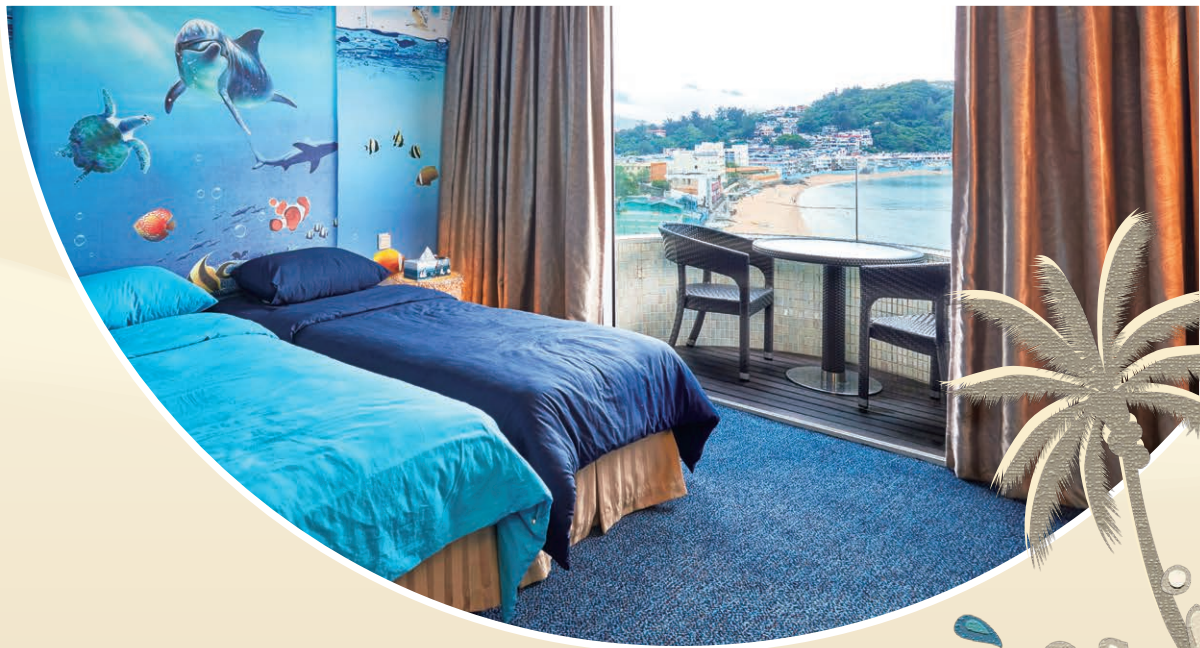
Far East Hotels and Entertainment Limited

Stock Code : 37



2017

Annual Report



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In the event of any error or omission in the Chinese translation of this Annual Report, the English text will prevail.

Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

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

Margaret Chiu, LL.B.

Alex Chiu, B.Sc.

Amanda Chiu, B.A.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

COMPANY SECRETARY

Kwok Siu Man

SOLICITORS

Woo Kwan Lee & Lo

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

AUTHORISED REPRESENTATIVES

Derek Chiu, B.A.

Kwok Siu Man

AUDIT COMMITTEE

Ng Wing Hang Patrick (*Chairman*)

Ip Shing Hing, J.P.

Choy Wai Shek Raymond, MH, J.P.

Corporate Information

REMUNERATION COMMITTEE

Choy Wai Shek Raymond, MH, J.P. (*Chairman*)

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Derek Chiu, B.A.

NOMINATION COMMITTEE

Ip Shing Hing, J.P. (*Chairman*)

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Derek Chiu, B.A.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Public Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED AND PRINCIPAL OFFICE

Suite 1902, 19th Floor,

The Sun's Group Centre,

200 Gloucester Road,

Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Standard Limited

Level 22, Hopewell Centre,

183 Queen's Road East, Hong Kong

PLACE OF LISTING

The shares of the Company are listed on the Main Board of

The Stock Exchange of Hong Kong Limited

STOCK CODE

00037

WEBSITE

www.tricor.com.hk/web/service/00037

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

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

Aged 51. He was appointed as Director of the Company in 1989. He is a member of each of the remuneration committee and the nomination committee of the Company. He is also a director of various subsidiaries of the Company. He was also an executive director of Far East Holdings International Limited (stock code: 00036), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), until his resignation with effect from 9 November 2015. He has extensive experience in the operation of amusement parks and entertainment business. He is a son of Madam Chiu Ju Ching Lan, a non-executive Director and a brother of Mr. Dick Tat Sang Chiu, a non-executive Director and Ms. Margaret Chiu, an executive Director. He is also the father of Mr. Alex Chiu and Ms. Amanda Chiu, both executive Directors.

Ms. Margaret Chiu, LL.B.

She was appointed as Director of the Company in 1989. She is also a director of several subsidiaries of the Company. She graduated with a law degree from the University of Buckingham, the United Kingdom. She has extensive experience in entertainment, television and motion picture business in Hong Kong, the People's Republic of China (the "PRC") and overseas. She is the daughter of Madam Chiu Ju Ching Lan, a non-executive Director, and the sister of Mr. Dick Tat Sang Chiu, a non-executive Director, Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company. She is also the aunt of Mr. Alex Chiu and Ms. Amanda Chiu, both executive Directors.

Mr. Alex Chiu, B.Sc.

Aged 26. He was appointed as an executive Director with effect from 1 September 2015. He is also a director of a subsidiary of the Company. He holds a bachelor's degree from The Art Institute of California, United States of America. He is the son of Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company and the brother of Ms. Amanda Chiu, an executive Director. He is also a grandson of Madam Chiu Ju Ching Lan, a non-executive Director, a nephew of both Mr. Dick Tat Sang Chiu, a non-executive Director, and Ms. Margaret Chiu, an executive Director.

Ms. Amanda Chiu, B.A.

Aged 24. She was appointed as an executive Director with effect from 1 September 2015. She holds a bachelor's degree from The University of the Arts London, England. She is the daughter of Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company, and the sister of Mr. Alex Chiu, an executive Director. She is also a granddaughter of Madam Chiu Ju Ching Lan, a non-executive Director, a niece of both Mr. Dick Tat Sang Chiu, a non-executive Director, and Ms. Margaret Chiu, an executive Director.

Non-Executive Directors

Madam Chiu Ju Ching Lan, J.P.

Aged 77. She was appointed as Director of the Company in 1979. She is also a director of several subsidiaries of the Company. Since 1975, she has been the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was the Chairlady of Yan Chai Hospital for 1977/78. She is the founder of New Territories Women's and Juveniles Welfare Association. She is the Chairman of the

Profile of Directors

Incorporated Management Committee and the Supervisor of the three schools by the name of Ju Ching Chu Secondary School, and the Chairman of Kowloon Women's Welfare Club. She was a member of Shanghai Standing Committee Chinese People's Political Consultative Conference for 25 years from 1982 to 2007. She has also been an Honorary Vice-President of Hong Kong Federation of Women since 1997. She is the mother of Mr. Dick Tat Sang Chiu, a non-executive Director, as well as Ms. Margaret Chiu and Mr. Derek Chiu, both executive Directors. She is also the grandmother of Mr. Alex Chiu and Ms Amanda Chiu, both executive Directors.

Mr. Dick Tat Sang Chiu, M.A.

Aged 66. He joined the Far East Group in 1974 and was appointed as Director of the Company in 1979. He is also a director of several subsidiaries of the Company. He is the founder of Warwick International Hotel Group and serves as its president. He graduated from the University of Cambridge, England with an honour Master of Arts degree in Economics. He is a son of Madam Chiu Ju Ching Lan, a non-executive Director, and a brother of Ms. Margaret Chiu and Mr. Derek Chiu, both executive Directors. He is also an uncle of Mr. Alex Chiu and Ms. Amanda Chiu, both executive Directors.

Independent Non-executive Directors

Mr. Ip Shing Hing, J.P.

Aged 61. Mr. Ip was appointed as an independent non-executive Director of the Company on 31 March 1997. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Arts in Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He has been a practising solicitor in Hong Kong for more than 30 years. Mr. Ip is an independent non-executive director of Binhai Investment Company Limited (stock code: 02886) and PC Partner Group Limited (stock code: 01263), both companies being listed on the Stock Exchange.

Mr. Ng Wing Hang Patrick

Aged 64. Mr. Ng was appointed as an independent non-executive Director of the Company on 28 September 2004. He is the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. He is a practising certified public accountant in Hong Kong and is the managing director of Pan-China (H.K.) CPA Limited, a certified public accountants firm in Hong Kong. Mr. Ng also serves as an independent non-executive director of Shenwan Hongyuan (H.K.) Limited, formerly known as Shenyin Wanguo (H.K.) Limited (stock code: 00218), which is listed on the Stock Exchange.

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

Aged 68. Mr. Choy was appointed as an independent non-executive Director of the Company on 28 September 2004. He is the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Choy is an independent non-executive director of New Concepts Holdings Limited (stock code: 02221), a company listed on the Stock Exchange. He was the Chairman of Sham Shui Po District Council, Hong Kong from 1991 to 1994, a Hong Kong Affairs Adviser from 1994 to 1997, and a member of Hong Kong Broadcasting Authority from 1995 to 1998. He was formerly a Vice-chairman of Occupational Safety And Health Council, a member of Energy Advisory Committee, a member of Consumer Council, a member of the Guangzhou Committee of the Chinese People's Political Consultative Conference (Term 9-12), a director of Chinese General Chamber Of Commerce, Vice President of GMC Hong Kong Member Association and the Chairman of Hong Kong Conghua Fraternity Association (Supervisory Board).

Managing Director and Chief Executive's Statement

RESULTS

I report to the shareholders of Far East Hotels and Entertainment Limited (the "Company") that the audited consolidated loss of the Company and its subsidiaries (the "Group") attributable to shareholders for the year ended 31 March 2017 amounted to HK\$4,775,157 (2016: HK\$10,549,887).

The directors of the Company do not recommend the payment of any dividend for the year (2016: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2017, the Group recorded a total revenue of approximately HK\$46.7 million (2016: HK\$48.9 million) and gross profit of approximately HK\$8.4 million (2016: HK\$6.3 million), representing a decrease in total revenue of approximately 4.5% and an increase in gross profit of approximately 33.3% respectively. Loss for the year attributable to the owners of the Company amounted to approximately HK\$4.8 million (2016: HK\$10.5 million).

For the year under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK\$17.8 million (2016: HK\$18.9 million) with a profit contribution of approximately HK\$0.5 million (2016: HK\$2.7 million). The rooms department and the food and beverage department recorded decreases in revenue of approximately 7.2% and 3.5% respectively. The decrease in total revenue coupled with higher operating costs resulted in a lower profit contribution as compared to the last financial year. The higher operating costs were due to the fact that, in order to deliver quality services and enhance market competitiveness during the year, the Cheung Chau Warwick Hotel has deployed more resources in enhancing hotel online booking system upgrade, internet media marketing and hotel refurbishment.

The total revenue of the serviced property in Beijing, the People's Republic of China recorded approximately HK\$26.1 million (2016: HK\$28.5 million) with a profit contribution of approximately HK\$6.5 million (2016: HK\$2.7 million). The increase in the profit of the serviced property letting in Beijing was mainly due to a decrease in refurbishment expenses incurred for the serviced property and ancillary facilities for the year under review.

For securities investment and trading, the Group recorded a profit of approximately HK\$4.0 million (2016: a loss of approximately HK\$2.0 million), which included an increase of approximately HK\$3.3 million (2016: a decrease of approximately HK\$2.4 million) in fair values of held-for-trading investment.

The Group recorded a net increase of approximately HK\$1.2 million (2016: HK\$6.1 million) in fair values of investment properties.

In December 2016, the Group acquired the remaining 50% equity interest in Sino Noble Development Limited, owner of 40 parcels of agricultural lots in the New Territories, Hong Kong, a former 50% joint venture of the Group, at a consideration of HK\$22,815,000. Following the completion of the acquisition, Sino Noble Development Limited became a wholly-owned subsidiary of the Company. Details of the transaction are set out in the Company's announcements dated 24 October 2016, 28 November 2016 and 5 December 2016 and circular dated 10 November 2016.

The Group will continue to explore business opportunities that can provide investment potential and broaden the income base of the Group in the long term.

Managing Director and Chief Executive's Statement

The market conditions of the hotel business in Hong Kong remain challenging for the coming year. The relative strength of Hong Kong dollars and the increased competition from other countries continue to make shopping in and travelling to Hong Kong less appealing. The Group will closely monitor and actively react to any changes as they arise. Furthermore, the Group will continue to strengthen its marketing efforts to extend its customer base and improve the quality of the service to meet the customers' needs.

MATERIAL ACQUISITIONS OF SUBSIDIARIES

In December 2016, the Group acquired the remaining 50% equity interest in Sino Noble Development Limited, a former 50% joint venture of the Group, at a consideration of HK\$22,815,000. Following the completion of the acquisition, Sino Noble Development became a wholly-owned subsidiary of the Company. Details of the transaction are set out in the Company's announcements dated 24 October 2016, 28 November 2016 and 5 December 2016 and circular dated 10 November 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had bank balances and cash of HK\$18,548,469 (2016: HK\$68,269,628) and pledged bank deposits of HK\$2,118,000 (2016: HK\$2,118,000). All of them were denominated in Hong Kong dollars.

As at 31 March 2017, there were outstanding bank loans and utilised overdraft facilities of HK\$31,906,678 (2016: HK\$34,278,645) and unutilised overdraft facilities of HK\$6,000,000 (2016: HK\$6,000,000) available to the Group. All outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with the effective interest rates ranging from 2.62% to 2.75% per annum.

As at 31 March 2017, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds as at 31 March 2017 amounted to approximately HK\$279 million (2016: HK\$284 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2017 was approximately 11.4% (2016: 12.1%).

CONTINGENT LIABILITIES

As at 31 March 2017, the Company had issued financial guarantees of HK\$18,000,000 (2016: HK\$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,793,600 (2016: HK\$14,793,600) has been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2017, the Group had no significant capital commitments (2016: Nil).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing. The management will continue to review the Group's green practice to integrate environmental, health and safety management and compliance consideration into operational processes.

Managing Director and Chief Executive's Statement

EMPLOYEES

As at 31 March 2017, the Group had approximately 70 employees (2016: 70). Employees are remunerated in accordance with the nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

On behalf of the board of directors of the Company, I would like to extend my sincere thanks to all our shareholders for their continued support, and to our staff for their dedication, loyalty and service.

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 28 June 2017

Directors' Report

The directors of the Company (the "Directors") present their directors' report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March, 2017 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A fair review of the Group's business, a discussion and analysis of the Group's performance during the Year with financial key performance indicators and an analysis of the likely development of the Group's business are set out in the section headed "Managing Director and Chief Executive's Statement" on pages 6 to 8 of this annual report. This discussion forms part of this report. Description of the principal risks and uncertainties facing the Group are set out in notes 4 and 44(b) to the consolidated financial statements respectively.

As at the date of this report, the Directors are not aware of any important events affecting the Group that have occurred since the end of the year under review and the Company is not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

In addition, discussions on the Group's environmental policies and performance are set out in section headed "Environmental Policies and Performance" of the Managing Director and Chief Executive's Statement on page 7 of this annual report and contained in the Environmental, Social and Governance Report on pages 18 to 20 of this annual report.

In regard to the stakeholder relationships, the Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore has dedicated to establishing and maintaining a close and caring relationship with these stakeholders.

Recognising the crucial roles of our customers and suppliers in our business operations, the Group has reinforced its relationship with these business partners by ongoing communication in a proactive and effective manner. In particular, the Group has been through continuous interaction with its customers to ensure that the quality of our services has satisfied their needs and requirements and will, therefore, meet up to our customers' expectation. Besides, the Group is also dedicated to developing good relationship with its suppliers to ensure a stable supply of reliable and high-quality products for the Group's daily operation.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of our employees. The Group also places ongoing effort to provide adequate training and development resources to our staff with the aim of fostering an environment in which the employees can develop to their fullest potential and can achieve their personal and professional growth.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 34 of this annual report.

The Directors do not recommend the payment of a dividend in respect of the Year (2016: Nil).

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 108 of this annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 37 and note 45 to the consolidated financial statements respectively.

There were no distributable reserves of the Company as at 31 March 2017 (2016: Nil), calculated under sections 291, 297 and 299 of the Company Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance").

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTIES

Details of the major properties held by the Group at 31 March, 2017 are set out on page 107 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the Year, the Company did not redeem any of the ordinary shares of the Company (the "Shares") listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders of the Company. However, the Company Ordinance provides that the Directors must not exercise any power to allot Shares unless the allotment is made to the shareholders in proportion to their shareholdings.

Directors' Report

DIRECTORS

The Directors who held office during the Year and up to the date of this report were:

Executive Directors

Mr. Derek Chiu (*Managing Director and Chief Executive*)

Ms. Margaret Chiu

Mr. Alex Chiu

Ms. Amanda Chiu

Non-executive Directors

Madam Chiu Ju Ching Lan

Mr. Dick Tat Sang Chiu

Independent Non-executive Directors

Mr. Ip Shing Hing

Mr. Ng Wing Hang Patrick

Mr. Choy Wai Shek Raymond

During the Year and up to the date of this report, Mr. Derek Chiu, Ms. Margaret Chiu, Madam Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu and Mr. Alex Chiu are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the Year and up to the date of this report include: Ms. Chung Siu Mei, Ms. Tammie Tam and Mr. Ng Chi Kin.

Article 83 of the Articles of Association provides that the Directors shall have power at any time and from time to time to appoint any other person to be a Director, in order to fill a casual vacancy or as an additional member to the board of Directors (the "Board"), but so that such person appointed shall hold office only until the next following ordinary general meeting and shall then be eligible for re-election and so that the total number of directors shall not any time exceed the maximum number fixed as mentioned in the Articles of Association.

Moreover, in accordance with articles 78 and 79 of the Articles of Association, one-third of the Directors shall retire from office and, being eligible, offer themselves for election. In accordance therewith, Ms. Margaret Chiu, Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond will retire by rotation at the annual general meeting of the Company (the "AGM") and, being eligible, have offered themselves for re-election.

The term of office for each non-executive Director is the period up to his or her annual retirement by rotation in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence in writing pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considers all the independent non-executive Directors to be independent.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

(a) Long position in the Shares and underlying Shares

| Name of directors/ chief executive | Number of Shares held | | Number of underlying Shares held <i>(Note 4)</i> | Total | Approximate percentage of issued Shares |
|---------------------------------------|-----------------------|----------------------------|---|-------------|---|
| | Personal interests | Corporate interests | | | |
| Mr. Derek Chiu | 36,494,000 | 78,430,299 <i>(Note 1)</i> | 6,000,000 | 120,924,299 | 19.90% |
| Madam Chiu Ju Ching Lan | 188,000 | – | 2,000,000 | 2,188,000 | 0.36% |
| Mr. Dick Tat Sang Chiu | 2,172,800 | 22,277,033 <i>(Note 2)</i> | – | 24,449,833 | 4.02% |
| Ms. Margaret Chiu | 676,240 | 5,000,000 <i>(Note 3)</i> | 2,000,000 | 7,676,240 | 1.26% |
| Mr. Choy Wai Shek Raymond | – | – | 4,000,000 | 4,000,000 | 0.66% |
| Mr. Ip Shing Hing | – | – | 4,000,000 | 4,000,000 | 0.66% |
| Mr. Ng Wing Hang Patrick | – | – | 4,000,000 | 4,000,000 | 0.66% |

Notes:

- (1) The 78,430,299 Shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu, an executive Director who is also the managing Director and chief executive of the Company.
- (2) The 22,277,033 Shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu, a non-executive Director.
- (3) The 5,000,000 Shares were held by a private company wholly owned by Ms. Margaret Chiu, an executive Director.
- (4) The underlying Shares were comprised in the share options granted to the Directors. Please refer to section (b) "Share Options of the Company" below for further details.

Directors' Report

(b) Share options of the Company

Pursuant to an ordinary resolution duly passed by shareholders of the Company on 2 September 2016, the Company's old share option scheme adopted on 1 June 2007 (the "Old Scheme") was terminated on 2 September 2016 and a new share option scheme (the "New Scheme") was adopted for a period of 10 years commencing on the adoption date. Upon the termination of the Old Scheme, no further options were granted thereunder, and the options granted prior to and remaining outstanding at the termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Details of the Old and New Schemes that complied with the Listing Rules are set out in note 40 to the consolidated financial statements. Movements of the share options under the Old Scheme held by the Directors and employees are as follows:

| Grantee | Number of underlying Shares comprised in share options | | | | | Exercise Price per share HK\$ | Grant date | Exercisable Period | |
|--|--|-------------------------|---------------------------|----------------------------------|-----------------------|-------------------------------|------------|--------------------|------------|
| | Held at 1 April 2016 | Granted during the year | Exercised during the year | Cancelled/lapsed during the year | Held at 31 March 2017 | | | From | To |
| Executive Directors | | | | | | | | | |
| Mr. Derek Chiu | 4,500,000 | - | (4,500,000) | - | - | 0.2498 | 15/04/2011 | 15/04/2011 | 14/04/2021 |
| | 1,100,000 | - | (1,100,000) | - | - | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| | 6,000,000 | - | - | - | 6,000,000 | 0.5600 | 23/10/2015 | 23/10/2015 | 22/10/2025 |
| Ms. Margaret Chiu | 2,000,000 | - | - | - | 2,000,000 | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| Non-executive Director | | | | | | | | | |
| Madam Chiu Ju Ching Lan | 2,000,000 | - | - | - | 2,000,000 | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| Independent non-executive Directors | | | | | | | | | |
| Mr. Ip Shing Hing | 1,000,000 | - | - | - | 1,000,000 | 0.2820 | 30/12/2009 | 30/12/2009 | 29/12/2019 |
| | 2,000,000 | - | - | - | 2,000,000 | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| | 1,000,000 | - | - | - | 1,000,000 | 0.5600 | 23/10/2015 | 23/10/2015 | 22/10/2025 |
| Mr. Ng Wing Hang Patrick | 1,000,000 | - | - | - | 1,000,000 | 0.2820 | 30/12/2009 | 30/12/2009 | 29/12/2019 |
| | 2,000,000 | - | - | - | 2,000,000 | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| | 1,000,000 | - | - | - | 1,000,000 | 0.5600 | 23/10/2015 | 23/10/2015 | 22/10/2025 |
| Mr. Choy Wai Shek Raymond | 1,000,000 | - | - | - | 1,000,000 | 0.2820 | 30/12/2009 | 30/12/2009 | 29/12/2019 |
| | 2,000,000 | - | - | - | 2,000,000 | 0.2320 | 06/02/2014 | 06/02/2014 | 05/02/2024 |
| | 1,000,000 | - | - | - | 1,000,000 | 0.5600 | 23/10/2015 | 23/10/2015 | 22/10/2025 |
| Aggregate for employees | <u>3,600,000</u> | <u>-</u> | <u>-</u> | <u>(500,000)</u> | <u>3,100,000</u> | 0.5600 | 23/10/2015 | 23/10/2015 | 22/10/2025 |
| | <u>31,200,000</u> | <u>-</u> | <u>(5,600,000)</u> | <u>(500,000)</u> | <u>25,100,000</u> | | | | |

No vesting period was provided for the above share options granted.

Directors' Report

The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$0.41.

Since the adoption of the New Scheme and up to the date of this report, no share options have been granted. Therefore, no share options were exercised or cancelled or lapsed during the Year and there were no outstanding share options under the New Scheme as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, none of the Directors and the Company's chief executive nor their respective associates (as defined in the Listing Rules), had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code contained in Appendix 10 to the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Other than the Old Scheme disclosed above, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year, which required the Company to issue any of its shares.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors or any of their respective associates (as defined in the Listing Rules) are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, AGREEMENTS OR CONTRACTS OF SIGNIFICANCE

The title of certain leasehold land and buildings owned by a subsidiary of the Company is registered in the name of a company controlled by Mr. Deacon Te Ken Chiu and his family (the "Chiu Family") as trustee for the said subsidiary.

Save as disclosed above, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the Articles of Association shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as the interests of certain Directors disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 31 March 2017, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Long position in the Shares

| Name of shareholders | Capacity | Number of issued Shares held | Percentage of issued Shares |
|---|---|------------------------------|-----------------------------|
| Mr. Deacon Te Ken Chiu (deceased) (Note 1) | Beneficial owner and interest in controlled companies | 113,726,476 | 18.71% |
| Achiemax Limited (Note 1) | Beneficial owner | 72,182,400 | 11.88% |
| Energy Overseas Ltd. (Note 2) | Beneficial owner | 78,430,299 | 12.91% |
| Mr. Chan Tai Keung David | Beneficial owner | 41,768,000 | 6.87% |

Notes:

1. The late Mr. Deacon Te Ken Chiu beneficially owned 12,491,424 Shares. Of the remaining 101,235,052 Shares, (i) 100,939,842 shares were held by various private companies wholly owned by the late Mr. Deacon Te Ken Chiu of which 72,182,400 Shares were held by Achiemax Limited; and (ii) 295,210 Shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited. The late Mr. Deacon Te Ken Chiu was a controlling shareholder of these companies and a director of Achiemax Limited.
2. Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu (an executive Director who is also the managing Director and chief executive of the Company) who is also its director.

Save as disclosed above, as at 31 March 2017, the Company has not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

Directors' Report

CONNECTED TRANSACTION

The related party transactions as disclosed in note 38 to the consolidated financial statements did not constitute one-off connected transactions or continuing connected transactions which are required to comply with disclosure requirements in accordance with Chapter 14A of the Listing Rules except for the Group's acquisition of the remaining 50% equity interest in Sino Noble Development Limited, a 50% joint venture of the Group from Mr. Derek Chiu, an executive Director, managing Director and chief executive of the Company. Such transaction falls under the definition of a connected transaction and is a non-exempted connected transaction, details of which are set out in note 39(a) to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the Year.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases made by the Group for its largest suppliers and the five largest suppliers of the Group accounted for approximately 30% and 71% of the total purchases of the Group in the year, respectively.

The sales attributable to the Group's largest customer and the five largest customers of the Group accounted for approximately 46% and 67% of the total sales of the Group in the year, respectively.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group has approximately 70 employees (2016: 70). Employees are remunerated in accordance with the nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees. The Company has adopted share option schemes as incentive to the Directors and eligible participants defined thereunder.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 28 of the annual report.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") comprises all the independent non-executive Directors.

The principal duties of the Audit Committee include review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It has reviewed with management the audited consolidated financial statements of the Group for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors throughout the Year and up to the date of this report, the Company has maintained the prescribed public float under the Listing Rules (i.e. at least 25% of its issued shares in public hands).

Directors' Report

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 9 and 10 to the consolidated financial statements, respectively.

EMOLUMENT POLICY

The Company has established a remuneration committee with written terms of reference pursuant to the provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management.

The Company has adopted the Share Option Schemes as an incentive to Directors and eligible participants and other consultants, details of the schemes are set out in note 40 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Directors confirmed that there was not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the Year.

INDEPENDENT AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as independent auditor of the Company.

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 28 June 2017

Environmental, Social and Governance Report

The Company is pleased to present this Environmental, Social and Governance Report (“ESG Report”) in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) issued by the Stock Exchange. This report is intended to disclose the Group’s performance on sustainability issues in a transparent and open manner so as to increase stakeholders’ confidence in and understanding of the Group. This report summarizes our performance in ESG during the year ended 31 March 2017 as follows:

ENVIRONMENTAL PROTECTION

Emissions

The Group’s business operations do not constitute significant direct impact on the environment and natural resources, and do not generate material level of greenhouse gas and hazardous waste. Various eco-friendly measures have been implemented to reduce carbon footprint in its business operations. The Group closely monitors and aims to minimise the environmental effects on its surroundings. The Group strictly abides by all environmental protection laws and regulations applicable to its business operations.

Use of Resources

The Group recognises that going green and low-carbon is one of the ways to achieve sustainable development and the protection of the environment. The Group strives to minimise the energy and other resources usage and emphasise environmental protection in its daily business operations, such as hotel and office premises. The Group endeavours to build awareness and commitment among employees on the conservation of resources in order that all resources are efficiently utilised.

To reduce water consumption, employees are reminded to turn the water tap off after use. To reduce electricity consumption, employees are also reminded to switch off air-conditioning, lighting, personal computers and other electrical appliances when leaving office. Employees are encouraged to dress suitably for the temperature in the office.

The Group encourages employees to work in a paperless environment. To avoid unnecessary wastage and promote effective usage of paper, employees are encouraged to use emails instead of hardcopies. Employees are also encouraged, where appropriate, to use double-sided printing and recycle used paper. Besides, envelopes and files are also reused by employees if possible.

The Environment and the Natural Resources

The Group believes that corporate development should not come at the expense of the environmental protection. The Group recognises the risks posed by climate change, and is committed to reducing its impact on the environment. The Group’s business operations do not involve industrial production with significant direct impact on the environment and natural resources. Nevertheless, the Group realises that hotel, property letting, and office operations continuously consume resources including energy, paper and different office supplies which ultimately have impact on the environment. Therefore, the Group has adopted environmentally friendly practices in various aspects. For example, the Group strives to create a paperless working environment to reduce unnecessary wastage.

Environmental, Social and Governance Report

WORKPLACE QUALITY

Employment

The Group values employees as its most precious asset and believes that nurturing and retaining talent is indispensable for strengthening the competitiveness of enterprises. It is therefore the top priority for the Group to make sure that employees work in a fair, safe, healthy and pleasant working environment that facilitates their personal growth and career development.

Equal Employment Opportunities

Upholding equal employment opportunities, the Group treats every employee equally. All employment arrangements are based on personal capabilities and qualifications regardless of race, colour, religion, gender, age, marital status, national origin, citizenship, disability, pregnancy or any form of wrongful discrimination. The Group is dedicated to preserving equal opportunity and non-discrimination in different areas, such as recruitment, training and development, job advancement, and compensation and benefits. All employees are assessed based on their ability, performance and contribution to the respective enterprises of the Group. The Group ensures that the terms and conditions of employment strictly abide by the relevant laws and regulations.

Health and Safety

The Group strives to provide a safe, effective and congenial work environment for its employees. Employees are encouraged to maintain a work-life balance for sustainability and participate in various activities to enhance their health and well-being. The Group ensures that it strictly complies with all the regulations regarding occupational health and safety, providing an effective and safe work environment for its employees.

Development and Training

The Group understands that human capital plays a substantial part of its business operations. Career development for employees is one of the critical elements for maintaining long-term relationship between the enterprise and its employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training for its employees in order to enhance their knowledge, skills and work capability. Employees at all levels are also encouraged to pursue educational or training opportunities that achieve personal growth and keep abreast of the latest professional developments.

Labour Standards

The Group is well aware that child labour and forced labour violate fundamental human rights and International Labour Conventions and also pose threats to sustainable social and economic developments. Therefore, the Group strictly complies with the relevant laws and regulations. The Group prohibits the use of child labour and reviews the actual age of the applicants in the recruitment process, which includes the examination of identity documents and maintain detailed records. The Group only executes the requirements stipulated in the standard labour contract and will not use any unlawful or unfair means to restrict the employment relationship between the employee and the enterprise.

Environmental, Social and Governance Report

OPERATING PRACTICES

Supply Chain Management

The Group is concerned about these aspects of environmental and social impact arising from its business operations. The Group has developed long-standing relationships with a number of its suppliers and takes great care to ensure that they share the Group's commitment to quality and ethics. The selection of suppliers is based on the criteria such as quality, price, delivery timeliness, capability, experience and service support.

Service Responsibility

The Group strives to offer premium quality of services and goods to customers and believes that customer satisfaction and comments are of paramount importance to business success and sustainability. Frontline employees are well-trained to handle customer complaints and respond immediately to maintain the enterprise's reputation. A wide range of customer feedback channels are established to seek comments from customers for improvement.

Protection of Data

The Group places the utmost importance on protecting the privacy of its customers, partners and employees in the collection, processing and use of their personal data. The Group adheres to the applicable data protection regulations and ensures appropriate measures are in place to protect personal data against unauthorised use or access. The Group also ensures that customers' personal data are securely kept and processed only for the purpose for which they have been collected. Employees are reminded from time to time to ensure compliance of the relevant laws and regulations to protect data against loss, unauthorised access, use, modification or disclosure.

Anti-corruption

The Group is committed to preventing all kinds of corruption and market misconduct in the relevant laws and regulations. Hence, all employees are required to comply strictly with the applicable laws and regulations on anti-corruption and anti-money laundering.

COMMUNITY INVESTMENT

Although the Group has not established and documented a specific community policy, social care is deep-seated in the Group's corporate culture. Employees are encouraged to participate in various charitable events and community service.

Corporate Governance Report

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The board of directors of the Company (the “Directors” and the “Board”, respectively) and its senior management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders (the “Shareholders”).

Throughout the year ended 31 March 2017, the Company has complied with all the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively), except for the following:

- (a) Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of chairman is responsible for formulating and setting the Group’s strategies and policies in conjunction with the Board.

The role of chief executive is responsible for managing the Group’s strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions, and financing.

The post of the chairman of the Board (the “Chairman”) has left vacant since 17 March 2015. Mr. Derek Chiu, an executive Director, assumes the roles and responsibilities of both the Chairman and the managing director and chief executive of the Company (the “Chief Executive” and the “Managing Director”). The Board considers that the current structure of vesting the roles of the Chairman and the Managing Director and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

- (b) Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors are subject to retirement by rotation at each annual general meeting under articles 78 and 79 of the Company’s articles of association (the “Articles of Association”). As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those provided in the Code.

Corporate Governance Report

- (C) Code provision A.6.7 of the Code stipulates that the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other engagements, all the non-executive Directors were unable to attend the annual general meeting held on 2 September 2016 and all the non-executive Directors and an independent non-executive Director were unable to attend the general meeting held on 28 November 2016. To mitigate the above, future general meetings would be scheduled earlier to avoid timetable clashes.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, oversee the management of the Company and its subsidiaries (collectively, the "Group"), to evaluate the performance of the Group and assess the achievement of targets periodically set by the Board. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The senior management is mainly responsible for execution of the business plan, strategies and policies adopted by the Board and assigned to it from time to time. The Board is directly accountable to the shareholders and is responsible for preparing the financial statements.

Currently, the Board comprises nine directors, whose biographical details are set out in the "Profile of Directors" of this annual report. Four of the Directors are executive, two are non-executive and three are independent non-executive. The five non-executive Directors bring a broad range of legal, financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Directors' Report and the Profile of Directors of this annual report for the composition of the Board and relationship among the members. Save for such relationship disclosed in the Profile of Directors, there is no other financial, business, family or other material/relevant relationships among the members of the Board.

Pursuant to the independence requirements set out in rule 3.13 of the Listing Rules, the Company has received written confirmation from all independent non-executive directors of their independence from the Company and considers them to be independent.

Corporate Governance Report

BOARD MEETINGS

Seven board meetings and two general meetings were held during the year ended 31 March 2017. The attendance record of each individual Director at the Board meetings and the Shareholders' meetings is set out in the table below:

| | Number of Board meetings attended/eligible to attend | Number of Shareholders' meetings* attended/eligible to attend |
|---|---|---|
| Executive Directors | | |
| Derek Chiu (<i>Managing Director and Chief Executive</i>) | 7/7 | 2/2 |
| Margaret Chiu | 3/7 | 0/2 |
| Alex Chiu | 0/7 | 0/2 |
| Amanda Chiu | 0/7 | 0/2 |
| Non-executive Directors | | |
| Chiu Ju Ching Lan | 0/7 | 0/2 |
| Dick Tat Sang Chiu | 0/7 | 0/2 |
| Independent Non-executive Directors | | |
| Ip Shing Hing | 4/7 | 1/2 |
| Ng Wing Hang Patrick | 4/7 | 2/2 |
| Choy Wai Shek Raymond | 4/7 | 2/2 |

* an annual general meeting and a general meeting were held on 2 September 2016 and 28 November 2016 respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control systems of the Group. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. The Group's internal control system includes a well-defined management structure with limits of authority, which is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. In addition, the Board also considers the adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

The Company does not have internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. However, during the year ended 31 March 2017, the Company has carried out a review of, and the Board has received a confirmation from the management on, the effectiveness of the risk management and internal control systems of the Group and no significant areas of concern were identified. The Directors are of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's risk management and internal control systems.

Corporate Governance Report

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorized use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors, the company secretary and investor relations officers are authorized to communicate with parties outside the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide the shareholders and the public with the necessary information to form their own judgement on the Company.

INDEPENDENT AUDITOR’S REMUNERATION

For the year ended 31 March 2017, the independent auditor of the Company received (the “Independent Auditor”) approximately HK\$975,000 for audit service (2016: HK\$950,000) and approximately HK\$1,249,000 for non-audit services in connection with acquisition of 50% remaining interest in a joint venture, review of preliminary results announcement and tax advisory service (2016: HK\$399,000).

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiries of all Directors, the directors have confirmed that they have fully complied with the Model Code and the Company’s code of conduct regarding directors’ securities transactions during the year ended 31 March 2017.

DIRECTORS’ AND AUDITOR’S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group. They ensure that the preparation of the consolidated financial statements of the Group is in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the consolidated financial statements of the Group is in a timely manner.

The statement of the Independent Auditor regarding its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report of this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”). The terms of reference of the Audit Committee are consistent with the provisions set out in the relevant section of the Code.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Wing Hang Patrick (chairman of the Audit Committee), Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial statements, financial reporting system, risk management and internal control systems. It also acts as an important link between the Board and the Company’s independent auditor in matters within the scope of the Group’s audit.

During the year ended 31 March 2017, the Audit Committee, amongst other matters, reviewed the Group’s annual results for the year ended 31 March 2016 and draft interim results for the six months ended 30 September 2016 and recommended the same to the Board for approval.

According to the Stock Exchange’s proposal on risk management and internal control under the Code applicable to accounting periods of listed companies commencing on or after 1 January 2016, the Board should oversee the Company’s risk management and internal control systems on an ongoing basis and has delegated such responsibilities to the audit committee. The terms of reference of Audit Committee was revised and adopted on 5 April 2016 to include the responsibilities on reviewing the risk management and internal control systems of the Group.

During the year ended 31 March 2017, two meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee is as follows:

| | Number of meetings attended/eligible to attend |
|---|---|
| Ng Wing Hang Patrick (<i>chairman of the Audit Committee</i>) | 2/2 |
| Ip Shing Hing | 2/2 |
| Choy Wai Shek Raymond | 2/2 |

The Audit Committee met on 28 June 2017 and, among other matters, reviewed the Group’s draft audited consolidated results for the year ended 31 March 2017.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Remuneration Committee”). The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the Code.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Choy Wai Shek Raymond (chairman of the Remuneration Committee), Mr. Ip Shing Hing, and Mr. Ng Wing Hang Patrick, and an executive director who is also the Managing Director and Chief Executive, Mr. Derek Chiu.

Corporate Governance Report

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management. None of the Directors is involved in deciding his/her own remuneration.

During the year ended 31 March 2017, one meeting was held by the Remuneration Committee to review the remuneration package of all the Directors, and made recommendation to the Board on the remuneration proposal for all Directors. The individual attendance record of each member of the Remuneration Committee is as follows:

| | Number of meetings attended/eligible to attend |
|---|---|
| Choy Wai Shek Raymond (<i>chairman of the Remuneration Committee</i>) | 1/1 |
| Ng Wing Hang Patrick | 1/1 |
| Ip Shing Hing | 1/1 |
| Derek Chiu | 1/1 |

The Remuneration Committee met on 28 June 2017 and reviewed the remuneration package of all the Directors and senior management.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board on 2 March 2012. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant provisions of the Code.

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Ip Shing Hing (chairman of the Nomination Committee), Mr. Ng Wing Hang Patrick and Mr. Choy Wai Shek Raymond and an Executive Director who is also the Managing Director and Chief Executive, Mr. Derek Chiu.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the composition of the Board. The Nomination Committee also reviews the structure, size and composition of the Board, recommends the re-appointment of Directors and assesses the independence of the independent non-executive Directors.

During the year ended 31 March 2017, one meeting was held by the Nomination Committee, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the independent non-executive Directors; and (iii) reviewed and made a recommendation on the re-appointment of the retiring Directors. The individual attendance record of each member of the Nomination Committee is as follows:

| | Number of meetings attended/eligible to attend |
|---|---|
| Ip Shing Hing (<i>chairman of the Nomination Committee</i>) | 1/1 |
| Ng Wing Hang Patrick | 1/1 |
| Choy Wai Shek Raymond | 1/1 |
| Derek Chiu | 1/1 |

Corporate Governance Report

The Nomination Committee met on 28 June 2017 and recommended the re-appointment of all the retiring Directors at the forthcoming annual general meeting of the Company.

COMPANY SECRETARY

Mr. Kwok Siu Man (“Mr Kwok”) was appointed as company secretary of the Company on 23 September 2013.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited (“Boardroom”) to assume such position and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Mr. Derek Chiu, an executive director who is also the Managing Director and Chief Executive, or his delegate.

As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at substantial times since then, he was not required to have at least 15 hours of relevant continuous professional development training for each of the five consecutive years from 2012 (including the first nine months of the year ended 31 March 2017) under the Listing Rules. However, despite the aforesaid exemption, Mr. Kwok had delivered and attended over 15 hours’ relevant seminars during the year ended 31 March 2017.

BOARD DIVERSITY POLICY

The Board has adopted a board policy in September 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD’S CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference of corporate governance functions set out in the code provision of the Code. It is responsible for performing the corporate governance functions of the Company. The Board has, among others, reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the Listing Rules.

REMUNERATION OF DIRECTORS

Particulars of the Directors’ remuneration for the year ended 31 March 2017 are set out in note 9 to the consolidated financial statements.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The general meetings shall be convened by the directors on the requisition of shareholders pursuant to section 566 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The directors are required to call a general meeting if the Company has received requests to do so from shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings. A request must state the general nature of the business to be dealt with at the meeting, and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Requests may consist of several documents in like form. A request may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person or persons making it.

For putting forward proposals at any general meeting or enquiries to the Board, a Shareholder may do so in writing to the Managing Director and Chief Executive. The letter shall state clearly the identity of the Shareholder, the number of shareholding, correspondence address and contact telephone number, and the related suggestions and enquires. The Company shall, in a reasonable and practicable manner, pass the said matter to the Board and respond according to the situation.

In addition, the Company may receive letters or phone enquires from Shareholders from time to time, and it shall, in a reasonable and practicable manner, respond as quickly as possible.

Contact particulars of the Company are as follows:

Suite 1902, 19th Floor
The Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2744 9110
Fax: (852) 2785 3342

website: www.tricor.com.hk/websevice/00037

Office Hours: 9:00 a.m. to 5:00 p.m.

Monday to Friday (except public holidays, the hoisting of tropical cyclone warning signal no.8 or above or the issue of a black rainstorm warning notice)

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Articles of Association on the respective websites of the Stock Exchange and the Company. During the year ended 31 March 2017, no amendments were made to the constitutional documents of the Company.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

From time to time, the directors read materials on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors to enroll in a wide range of professional development courses and seminars so as to develop and refresh their professional skills. All Directors have been required to provide the Company with their training records.

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF FAR EAST HOTELS AND ENTERTAINMENT LIMITED

遠東酒店實業有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Hotels and Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 34 to 106, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

100 Making another century of impact
德勤百年慶 開創新紀元

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the significant judgements associated with determining the fair value and the significance of the Group's investment properties to the consolidated financial statements as a whole.

As disclosed in notes 4 and 14 to the consolidated financial statements, the investment properties carried at approximately HK\$172,000,000 as at 31 March 2017. A net increase in fair value of approximately HK\$1,200,000 was recognised in profit or loss for the year ended 31 March 2017.

The Group's investment properties are carried at fair value based on the valuations performed by independent firms of qualified professional valuers (the "Valuers"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations have been arrived at using direct comparison approach. The valuations of investment properties are dependent on certain key inputs, including market unit rate and ex-gratia compensation rate of comparable properties and adjusted based on the knowledge of the Valuers and management of the Group on the factors specific to the respective properties.

How our audit addressed the key audit matter

Our procedures in relation to evaluating the appropriateness of valuation of investment properties included:

- Obtaining an understanding of the valuation process and significant assumptions from the management of the Group and the Valuer to assess whether the approach adopted on valuing the investment properties is appropriate;
- Evaluating the Valuer's competence, capabilities and objectivity and obtaining an understanding of the Valuer's scope of work and terms of engagement;
- Evaluating the appropriateness of the valuation approach and estimations, in particular, the key inputs used by the management of the Group and the Valuers; and
- Assessing the reasonableness of the key inputs adopted in the valuation, including the market unit rate and ex-gratia compensation rate by reference to market information of properties in similar conditions.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Estimated impairment of promissory notes receivables

We identified the estimated impairment of promissory notes receivables as a key audit matter due to significant judgements involved in the impairment assessment.

Our procedures in relation to management's estimated impairment of promissory notes receivables included:

As disclosed in notes 4 and 19 to the consolidated financial statements, the promissory notes receivables carried at HK\$21,250,000 as at 31 March 2017. No impairment loss was recognised in profit or loss during the year ended 31 March 2017. In determining the impairment of promissory notes receivables, the management of the Group considers key factors including subsequent settlement, ageing of outstanding amounts and responsiveness of the debtor.

- Obtaining an understanding of the management's process on the impairment assessment of the promissory notes receivables;
- Enquiring the management of the Group to understand the actions that have been taken in recovering the promissory notes receivables including the responsiveness of the debtor and settlement pattern;
- Checking subsequent settlement of the promissory notes receivables; and
- Evaluating the reasonableness of estimates adopted by the management of the Group on the impairment assessment by checking subsequent settlement, ageing of the outstanding amounts and correspondence with the debtor.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ka-Lai Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

| | NOTES | 2017 HK\$ | 2016 HK\$ |
|---|-------|---------------------|--------------|
| Revenue | 5 | 46,676,591 | 48,919,458 |
| Cost of sales | | (38,322,003) | (42,610,694) |
| Gross profit | | 8,354,588 | 6,308,764 |
| Other income | | 1,104,204 | 1,323,400 |
| Other gains or losses | 6 | 3,356,686 | (2,401,141) |
| Net increase in fair values of investment properties | 14 | 1,200,510 | 6,102,706 |
| Administrative expenses | | (16,391,223) | (24,230,395) |
| Finance costs | 7 | (957,838) | (1,008,214) |
| Share of results of associates | | 461,594 | 441,171 |
| Share of result of a joint venture | | (1,903,678) | 2,913,822 |
| Loss before tax | 8 | (4,775,157) | (10,549,887) |
| Income tax expense | 11 | - | - |
| Loss for the year attributable to owners of the Company | | (4,775,157) | (10,549,887) |
| Other comprehensive expense: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | (1,145,448) | (84,949) |
| Total comprehensive expense for the year attributable to owners of the Company | | (5,920,605) | (10,634,836) |
| LOSS PER SHARE | 12 | | |
| Basic | | (0.79) cent | (1.76) cents |
| Diluted | | (0.79) cent | (1.76) cents |

Consolidated Statement of Financial Position

At 31 March 2017

| | NOTES | 2017 HK\$ | 2016 HK\$ |
|--|-------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 61,849,304 | 67,818,199 |
| Investment properties | 14 | 171,699,285 | 122,499,779 |
| Interests in associates | 16 | 1,221,640 | 760,046 |
| Interest in a joint venture | 17 | – | 17,361,441 |
| Loan to a joint venture | 18 | – | 8,445,940 |
| Promissory notes receivables | 19 | 9,250,000 | 15,250,000 |
| Available-for-sale investments | 20 | – | – |
| Paintings | 21 | 3,921,217 | 3,921,217 |
| | | 247,941,446 | 236,056,622 |
| Current assets | | | |
| Held-for-trading investments | 22 | 39,441,106 | 16,070,838 |
| Inventories | 23 | 454,405 | 479,257 |
| Promissory notes receivables | 19 | 12,000,000 | 6,000,000 |
| Trade receivables | 24 | 4,353,534 | 5,013,088 |
| Other receivables, deposits and prepayment | 38 | 1,720,799 | 1,734,769 |
| Pledged bank deposits | 25 | 2,118,000 | 2,118,000 |
| Bank balances and cash | 25 | 18,548,469 | 68,269,628 |
| | | 78,636,313 | 99,685,580 |
| Current liabilities | | | |
| Trade and other payables and accruals | 26 | 9,411,059 | 10,144,822 |
| Deposits received | | 357,084 | 270,796 |
| Amount due to an associate | 27 | 752,381 | 442,381 |
| Amounts due to related companies | 28 | 713,031 | 717,236 |
| Amount due to a non-controlling shareholder | 29 | 1,182,699 | 3,780,151 |
| Bank borrowings | 30 | 17,231,614 | 17,165,542 |
| Obligation under finance leases | 31 | 361,501 | 133,652 |
| | | 30,009,369 | 32,654,580 |
| Net current assets | | 48,626,944 | 67,031,000 |
| Total assets less current liabilities | | 296,568,390 | 303,087,622 |

Consolidated Statement of Financial Position

At 31 March 2017

| | NOTES | 2017 HK\$ | 2016 HK\$ |
|-------------------------------------|-------|---------------------|--------------|
| Capital and reserves | | | |
| Share capital | 32 | 312,144,213 | 310,764,913 |
| Reserves | | (33,005,282) | (27,084,677) |
| | | 279,138,931 | 283,680,236 |
| Non-current liabilities | | | |
| Provision for long service payments | 33 | 2,053,401 | 2,053,401 |
| Obligation under finance leases | 31 | 700,994 | 240,882 |
| Bank borrowings | 30 | 14,675,064 | 17,113,103 |
| | | 17,429,459 | 19,407,386 |
| | | 296,568,390 | 303,087,622 |

The consolidated financial statements on pages 34 to 106 were approved and authorised for issue by the Board of Directors on 28 June 2017 and are signed on its behalf by:

MARGARET CHIU
DIRECTOR

DEREK CHIU
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

| | Share capital HK\$ | Share option reserve HK\$ | Translation reserve HK\$ | Special reserve HK\$ (Note) | Accumulated losses HK\$ | Total HK\$ |
|---|--------------------------|------------------------------------|--------------------------------|--------------------------------------|-------------------------------|---------------|
| At 1 April 2015 | 308,795,513 | 3,512,531 | (2,633,252) | 6,247,608 | (27,449,914) | 288,472,486 |
| Loss for the year | - | - | - | - | (10,549,887) | (10,549,887) |
| Exchange differences arising on translation of foreign operations | - | - | (84,949) | - | - | (84,949) |
| Total comprehensive expense for the year | - | - | (84,949) | - | (10,549,887) | (10,634,836) |
| Share-based payment expenses | - | 3,873,186 | - | - | - | 3,873,186 |
| Shares issued upon exercise of share options (note 32) | 1,969,400 | (872,334) | - | - | 872,334 | 1,969,400 |
| Lapsed of share options transferred to accumulated losses | - | (729,884) | - | - | 729,884 | - |
| Eliminate the Company's prior year loss against special reserve | - | - | - | (6,247,608) | 6,247,608 | - |
| At 31 March 2016 | 310,764,913 | 5,783,499 | (2,718,201) | - | (30,149,975) | 283,680,236 |
| Loss for the year | - | - | - | - | (4,775,157) | (4,775,157) |
| Exchange differences arising on translation of foreign operations | - | - | (1,145,448) | - | - | (1,145,448) |
| Total comprehensive expense for the year | - | - | (1,145,448) | - | (4,775,157) | (5,920,605) |
| Shares issued upon exercise of share options (note 32) | 1,379,300 | (713,013) | - | - | 713,013 | 1,379,300 |
| Lapsed of share options transferred to accumulated losses | - | (138,530) | - | - | 138,530 | - |
| At 31 March 2017 | 312,144,213 | 4,931,956 | (3,863,649) | - | (34,073,589) | 279,138,931 |

Note: Special reserve arose as a result of reduction of the Company's share capital in the year 2006/2007 as detailed in note 32(c). Special reserve has been utilised to eliminate accumulated losses of the Company. The total losses eliminated against the special reserve up to the end of the reporting period amounted to HK\$100,000,000 (2016: HK\$100,000,000).

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

| | 2017 HK\$ | 2016 HK\$ |
|--|---------------------|--------------|
| Operating activities | | |
| Loss before tax | (4,775,157) | (10,549,887) |
| Adjustments for: | | |
| Net increase in fair values of investment properties | (1,200,510) | (6,102,706) |
| Share of results of associates | (461,594) | (441,171) |
| Share of result of a joint venture | 1,903,678 | (2,913,822) |
| (Increase) decrease in fair values of held-for-trading investments | (3,305,372) | 2,394,139 |
| Imputed interest income from loan to a joint venture | (159,804) | (266,460) |
| Interest income | (383,234) | (323,808) |
| Depreciation of property, plant and equipment | 7,475,176 | 7,587,814 |
| Finance costs | 957,838 | 1,008,214 |
| (Gain) loss on disposal of property, plant and equipment | (51,314) | 7,002 |
| Share-based payment expenses | – | 3,873,186 |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | (293) | (5,727,499) |
| (Increase) decrease in held-for-trading investments | (20,064,896) | 561,834 |
| Decrease in inventories | 21,347 | 12,728 |
| Decrease (increase) in trade receivables | 406,832 | (284,284) |
| Decrease (increase) in other receivables, deposits and prepayment | 13,970 | (116,850) |
| (Decrease) increase in trade and other payables and accruals | (1,411,989) | 2,370,091 |
| Increase (decrease) in deposits received | 86,288 | (83,517) |
| Decrease in amount due to a non-controlling shareholder | (2,365,398) | (2,760,110) |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (23,314,139) | (6,027,607) |

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

| | 2017 HK\$ | 2016 HK\$ |
|--|---------------------|--------------|
| Investing activities | | |
| Interest received | 383,234 | 323,808 |
| Addition of investment properties | (188,252) | (1,059,263) |
| Acquisition of assets through acquisition of subsidiaries | (22,815,000) | – |
| Addition of property, plant and equipment | (1,855,724) | (844,078) |
| Proceeds from disposal of available-for-sale investments | – | 78,047,110 |
| Proceeds from disposal of property, plant and equipment | 56,000 | – |
| Advance to a joint venture | – | (1,177) |
| | <hr/> | <hr/> |
| Net cash (used in) from investing activities | (24,419,742) | 76,466,400 |
| | <hr/> | <hr/> |
| Financing activities | | |
| Proceeds from issue of shares upon exercise of share options | 1,379,300 | 1,969,400 |
| Repayment of bank borrowings | (2,371,967) | (2,949,437) |
| Interest paid on bank borrowings | (957,838) | (1,008,521) |
| Repayment of obligation under a finance lease | (329,028) | (125,945) |
| Advances from an associate | 310,000 | 337,000 |
| Repayment to related companies | (4,205) | (20,205) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (1,973,738) | (1,797,708) |
| | <hr/> | <hr/> |
| Net (decrease) increase in cash and cash equivalents | (49,707,619) | 68,641,085 |
| | <hr/> | <hr/> |
| Cash and cash equivalents brought forward | 68,269,628 | (276,629) |
| | <hr/> | <hr/> |
| Effect of foreign exchange rate changes | (13,540) | (94,828) |
| | <hr/> | <hr/> |
| Cash and cash equivalents carried forward | 18,548,469 | 68,269,628 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Represented by: | | |
| Bank balances and cash | 18,548,469 | 68,269,628 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. GENERAL

Far East Hotels and Entertainment Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate information” of the annual report.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

| | |
|--|--|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|------------------------------------|--|
| HKFRS 9 | Financial Instrument ¹ |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments ¹ |
| HKFRS 16 | Leases ² |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration ¹ |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 7 | Disclosure Initiative ⁴ |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses ⁴ |
| Amendments to HKAS 40 | Transfers of Investment Property ¹ |
| Amendment to HKFRSs | Annual Improvements to HKFRSs 2014-2016 Cycle ⁵ |

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group’s financial assets measured at amortised costs, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on an analysis of the Group’s financial instruments as at 31 March 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$36,408,591 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases (Continued)

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group’s financial performance and the Group’s financial positions for the future and/or on the disclosures set out in the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures *(Continued)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In the Company's statement of financial position, the interest in an associate or joint venture is stated at cost less any identified impairment.

Paintings

Paintings are stated at cost less any identified impairment loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories, representing inventories of goods, beverages and general stores, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories of financial assets.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

When share options are exercised, forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits (accumulated losses).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefits received and receivable to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including stated managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Classification of properties

The Group has rented certain land and buildings (the "Rented Premises") from a non-controlling shareholder of a subsidiary for a lease term of 22 years (the "Lease").

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Classification of properties *(Continued)*

In determining the classification of Lease as an operating lease or finance lease under HKAS 17, the directors of the Company examined the terms of the Lease and evaluated the extent to which the risks and rewards incidental to the ownership of Rented Premises lie with the Group as the lessee, or the lessor. In making their judgement, the directors of the Company considered the indicators of classification of a lease as a finance lease set out in HKAS 17. Taking into account the facts and circumstances, among others, that the lease term of the Lease does not form a major part of the economic life of the Rented Premises, the directors of the Company are satisfied that the terms of the Lease have not transferred substantially all the risks and rewards of ownership to the Group and the Lease is therefore classified by the Group as an operating lease. For the purpose of modifying the Rented Premises as serviced apartments and office for sub-letting purpose, in previous years, expenditure of HK\$96,832,739 (2016: HK\$99,503,662) was incurred by the Group. The carrying amount of these modification costs of HK\$23,286,057 (2016: HK\$26,777,004) as at 31 March 2017 are classified as property, plant and equipment in the consolidated statement of financial position. The operating lease commitment in respect of the Lease is set out in note 36.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 14. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of dispossession or forfeiture by the Government of Hong Kong Special Administrative Region (the "Government") would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain reported in the consolidated statement of profit or loss and comprehensive income.

The directors have performed internal assessment on the potential risk of dispossession or forfeiture by the Government in relation to the Group's investment properties. Certain properties are considered either having risks of dispossession having suspected trespass or forfeiture by the Government. The directors have taken into account the degree of uncertainty in risk of dispossession or forfeiture by the Government when considering the valuation of the Group's investment properties. The directors consider that it is only appropriate that the investment properties be recognised on consolidated statement of financial position for those properties that are considered having low risk of dispossession or free from the risk of forfeiture by the Government.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of investment properties *(Continued)*

As at 31 March 2017, the carrying amount of the Group's investment properties are HK\$171,699,285 (2016: HK\$122,499,779).

Deferred taxation on unused tax losses

As at 31 March 2017, a deferred tax asset of approximately HK\$8,363,000 (2016: HK\$8,260,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position, details of which are set out in note 34. No deferred tax asset has been recognised on the tax losses of approximately HK\$196,203,000 and HK\$190,840,000 as at 31 March 2017 and 2016, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated impairment of promissory notes receivables

The Group reviews the carrying amounts of the promissory notes receivables due from a related company at the end of the reporting period to determine whether there is any indication that these receivables have suffered an impairment loss. In determining the impairment of promissory notes receivables, the management of the Group has considered the key factors including subsequent settlement, ageing of outstanding amounts and responsiveness of the debtor to estimate the future cash flows expected to be derived from the receivables and ascertain their recoverable amounts.

In view of management's dedicated effort in monitoring the outstanding balance and positive development on settlement arrangement, the management of the Company is confident that the amount is fully recoverable. Where the recoverable amounts of the receivables are estimated to be less than their carrying amounts, an impairment loss will be provided for such receivables and recognised in the profit or loss. Where the actual future cash flows are less than expected, or being revised downward due to changes in the facts and circumstances, a material impairment loss may arise. As at 31 March 2017, the carrying amount of the promissory notes receivables are HK\$21,250,000 and no allowance on the promissory notes receivables have to be recognised. Details of which are disclosed in note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION

Revenue from major business operations

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

| | 2017 | 2016 |
|-------------------------------------|-------------------|------------|
| | HK\$ | HK\$ |
| Income from hotel operation | | |
| – Hotel room revenue | 10,016,901 | 10,799,222 |
| – Food and beverages | 7,815,903 | 8,096,007 |
| Gross rental income from properties | 28,843,787 | 30,024,229 |
| | 46,676,591 | 48,919,458 |

Segment information

Information reported to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is based on the financial information of subsidiaries engaged in different operations at different locations. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. Hotel operation in Hong Kong
2. Serviced property letting in The People's Republic of China, excluding Hong Kong (the "PRC")
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

| | 2017 | | | | | Total HK\$ |
|--------------------------------|--|--|--|--|---|---------------|
| | Hotel operation in Hong Kong HK\$ | Serviced property letting in the PRC HK\$ | Property investment in Hong Kong HK\$ | Property investment overseas HK\$ | Securities investment and trading HK\$ | |
| Revenue | 17,832,804 | 26,111,019 | 760,276 | 1,972,492 | - | 46,676,591 |
| Segment profit | 481,697 | 6,495,904 | 453,770 | 215,363 | 4,026,342 | 11,673,076 |
| Unallocated gains and losses | | | | | | 439,234 |
| Unallocated expenses | | | | | | (16,391,223) |
| Unallocated finance costs | | | | | | (957,838) |
| Share of results of associates | | | | | | 461,594 |
| Loss before tax | | | | | | (4,775,157) |
| Income tax expense | | | | | | - |
| Loss for the year | | | | | | (4,775,157) |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment revenues and results (Continued)

| | 2016 | | | | | Total HK\$ |
|--------------------------------|--|--|--|--|---|---------------|
| | Hotel operation in Hong Kong HK\$ | Serviced property letting in the PRC HK\$ | Property investment in Hong Kong HK\$ | Property investment overseas HK\$ | Securities investment and trading HK\$ | |
| Revenue | 18,895,229 | 28,450,801 | 904,640 | 668,788 | – | 48,919,458 |
| Segment profit (loss) | 2,737,348 | 2,688,158 | 9,497,458 | 535,088 | (1,988,092) | 13,469,960 |
| Unallocated gains and losses | | | | | | 643,891 |
| Unallocated expenses | | | | | | (24,096,695) |
| Unallocated finance costs | | | | | | (1,008,214) |
| Share of results of associates | | | | | | 441,171 |
| Loss before tax | | | | | | (10,549,887) |
| Income tax expense | | | | | | – |
| Loss for the year | | | | | | (10,549,887) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of certain other gains and losses, corporate expenses including auditor's remuneration, directors' emoluments and administrative staff costs, unallocated finance costs, share of results of associates and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Information about major customers

Revenue from external customers included in serviced property letting in the PRC segment contributing over 10% of the total revenue of the Group are as follows:

| | 2017 HK\$ | 2016 HK\$ |
|------------|-------------------|-------------------|
| Customer A | 5,095,539 | 5,182,928 |
| Customer B | 19,341,446 | 22,463,643 |
| | 24,436,985 | 27,646,571 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities

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

| | 2017 HK\$ | 2016 HK\$ |
|--------------------------------------|--------------------|--------------|
| Segment assets | | |
| Hotel operation in Hong Kong | 18,659,236 | 20,081,837 |
| Serviced property letting in the PRC | 38,473,819 | 40,797,608 |
| Property investment in Hong Kong | 148,625,560 | 98,678,927 |
| Property investment overseas | 43,531,979 | 42,046,898 |
| Securities investment and trading | 47,914,445 | 16,107,616 |
| | <hr/> | <hr/> |
| Total segment assets | 297,205,039 | 217,712,886 |
| Promissory notes receivables | 21,250,000 | 21,250,000 |
| Paintings | 3,921,217 | 3,921,217 |
| Other unallocated assets | 4,201,503 | 92,858,099 |
| | <hr/> | <hr/> |
| Consolidated assets | 326,577,759 | 335,742,202 |
| | <hr/> | <hr/> |
| Segment liabilities | | |
| Hotel operation in Hong Kong | 2,710,773 | 2,712,912 |
| Serviced property letting in the PRC | 6,774,711 | 11,051,127 |
| Property investment in Hong Kong | 1,380,470 | 70,320 |
| Property investment overseas | 35,599 | 76,724 |
| Securities investment and trading | 82,000 | 80,000 |
| | <hr/> | <hr/> |
| Total segment liabilities | 10,983,553 | 13,991,083 |
| Bank borrowings | 31,906,678 | 34,278,645 |
| Obligation under finance leases | 1,062,495 | 374,534 |
| Other unallocated liabilities | 3,486,102 | 3,417,704 |
| | <hr/> | <hr/> |
| Consolidated liabilities | 47,438,828 | 52,061,966 |
| | <hr/> | <hr/> |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to reportable segments other than promissory notes receivables, paintings, interests in associates and other unallocated corporate assets.
- all liabilities are allocated to reportable segments other than amount due to an associate and related companies, bank borrowings, provision for long service payments (other than those staff employed for hotel operation), obligation under finance leases and other unallocated corporate liabilities.

Other segment information

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

| 2017 | Hotel | Serviced | Property | Property | Securities | Segment | Unallocated | Total |
|--|--------------|------------|---------------|-------------|-------------|-------------|-------------|-------------|
| | operation in | property | investment in | investment | investment | | | |
| | Hong Kong | in the PRC | Hong Kong | overseas | and trading | total | | |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Capital additions | 890,305 | 812,458 | 48,178,133 | - | - | 49,880,896 | 1,169,950 | 51,050,846 |
| Depreciation of property, plant and equipment | 1,635,607 | 5,172,600 | - | - | - | 6,808,207 | 666,969 | 7,475,176 |
| Increase (decrease) in fair values of investment properties | - | - | 2,490,867 | (1,290,357) | - | 1,200,510 | - | 1,200,510 |
| Finance costs | - | - | - | - | - | - | 957,838 | 957,838 |
| Share of loss of a joint venture | - | - | 1,903,678 | - | - | 1,903,678 | - | 1,903,678 |
| Increase in fair value of held-for-trading investments | - | - | - | - | (3,305,372) | (3,305,372) | - | (3,305,372) |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Other segment information (Continued)

| 2016 | Hotel operation in Hong Kong HK\$ | Serviced property letting in the PRC HK\$ | Property investment in Hong Kong HK\$ | Property investment overseas HK\$ | Securities investment and trading HK\$ | Segment total HK\$ | Unallocated HK\$ | Total HK\$ |
|---|--|---|--|--|---|--------------------------|---------------------|---------------|
| Capital additions | 1,280,241 | 145,278 | 1,059,263 | 40,502,434 | - | 42,987,216 | 43,359 | 43,030,575 |
| Depreciation of property, plant and equipment | 1,694,764 | 5,242,758 | - | - | - | 6,937,522 | 650,292 | 7,587,814 |
| Increase in fair values of investment properties | - | - | 6,102,706 | - | - | 6,102,706 | - | 6,102,706 |
| Finance costs | - | - | - | - | - | - | 1,008,214 | 1,008,214 |
| Share of profit of a joint venture | - | - | 2,913,822 | - | - | 2,913,822 | - | 2,913,822 |
| Decrease in fair value of held-for-trading investments | - | - | - | - | 2,394,139 | 2,394,139 | - | 2,394,139 |
| Interest in a joint venture | - | - | 17,361,441 | - | - | 17,361,441 | - | 17,361,441 |

Geographical information

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

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

| | Revenue from external customers | | Non-current assets | |
|-----------|------------------------------------|--------------|--------------------|--------------|
| | 2017 HK\$ | 2016 HK\$ | 2017 HK\$ | 2016 HK\$ |
| Hong Kong | 18,593,080 | 19,799,869 | 177,747,839 | 159,957,303 |
| The PRC | 26,111,019 | 28,450,801 | 29,119,910 | 34,846,485 |
| Overseas | 1,972,492 | 668,788 | 41,073,697 | 41,252,834 |
| | 46,676,591 | 48,919,458 | 247,941,446 | 236,056,622 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

6. OTHER GAINS OR LOSSES

| | 2017 HK\$ | 2016 HK\$ |
|---|------------------|--------------------|
| Increase (decrease) in fair value of held-for-trading investments | 3,305,372 | (2,394,139) |
| Gain (loss) on disposal of property, plant and equipment | 51,314 | (7,002) |
| | <u>3,356,686</u> | <u>(2,401,141)</u> |

7. FINANCE COSTS

| | 2017 HK\$ | 2016 HK\$ |
|--|----------------|------------------|
| Interests on borrowings and overdrafts | 911,897 | 982,354 |
| Interest on finance leases | 45,941 | 25,860 |
| | <u>957,838</u> | <u>1,008,214</u> |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

8. LOSS BEFORE TAX

| | 2017 HK\$ | 2016 HK\$ |
|--|-------------------|--------------|
| Loss before tax has been arrived at after charging: | | |
| Auditor's remuneration | | |
| – audit service | 975,000 | 950,000 |
| – non-audit services | 1,249,000 | 399,000 |
| Cost of inventories recognised as an expense | 4,312,305 | 3,803,720 |
| Depreciation of property, plant and equipment | 7,475,176 | 7,587,814 |
| Operating lease rentals in respect of rented premises | 6,082,737 | 6,284,634 |
| Staff costs: | | |
| Directors' remuneration (note 9) | 2,108,861 | 5,354,555 |
| Other staff: | | |
| – Salaries and other allowances | 10,381,672 | 9,746,062 |
| – Retirement benefit schemes contributions | 588,477 | 599,813 |
| – Share-based payment expenses | – | 997,416 |
| | 13,079,010 | 16,697,846 |
| and crediting: | | |
| Interest income (included in other income) | | |
| – Bank deposits | 82,557 | 120,020 |
| – Promissory notes receivables | 300,677 | 203,788 |
| | 383,234 | 323,808 |
| Dividend income from held-for-trading investments (included in other income) | 421,378 | 406,035 |
| Imputed interest income from loan to a joint venture (included in other income) | 159,804 | 266,460 |
| Net rental income from properties (Note) | 23,198,006 | 24,293,856 |

Note:

Net rental income is arrived at after deducting:

- (a) Direct operating expenses incurred for investment properties that generated rental income during the year of HK\$5,124,763 (2016: HK\$5,392,309); and
- (b) Direct operating expenses incurred for investment properties that did not generate rental income during the year of HK\$521,018 (2016: HK\$338,064).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

| Name of directors | Fees HK\$ | Salaries and other allowances HK\$ | Retirement | Share-based payment expenses HK\$ | Estimated | Total HK\$ |
|--------------------------------------|----------------|---|---|--|---|------------------|
| | | | benefit schemes contributions HK\$ | | money value of other benefits HK\$ (Note) | |
| 2017 | | | | | | |
| Executive directors: | | | | | | |
| Mr. Derek Chiu | 10,000 | 1,126,726 | 18,000 | - | 765,000 | 1,919,726 |
| Ms. Margaret Chiu | 10,000 | 132,000 | 6,600 | - | - | 148,600 |
| Mr. Alex Chiu | 10,000 | - | - | - | - | 10,000 |
| Ms. Amanda Chiu | 10,000 | 45,535 | - | - | - | 55,535 |
| | <u>40,000</u> | <u>1,304,261</u> | <u>24,600</u> | <u>-</u> | <u>765,000</u> | <u>2,133,861</u> |
| Non-executive directors: | | | | | | |
| Madam Chiu Ju Ching Lan | 10,000 | 360,000 | - | - | - | 370,000 |
| Mr. Dick Tat Sang Chiu | 10,000 | - | - | - | - | 10,000 |
| | <u>20,000</u> | <u>360,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>380,000</u> |
| Independent non-executive directors: | | | | | | |
| Mr. Ip Shing Hing | 120,000 | - | - | - | - | 120,000 |
| Mr. Ng Wing Hang | 120,000 | - | - | - | - | 120,000 |
| Mr. Choy Wai Shek | 120,000 | - | - | - | - | 120,000 |
| | <u>360,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>360,000</u> |
| | <u>420,000</u> | <u>1,664,261</u> | <u>24,600</u> | <u>-</u> | <u>765,000</u> | <u>2,873,861</u> |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

| Name of directors | Fees HK\$ | Salaries and other allowances HK\$ | Retirement benefit schemes contributions HK\$ | Share-based payment expenses HK\$ | Estimated money value of other benefits HK\$ (Note) | Total HK\$ |
|--------------------------------------|----------------|---|---|--|--|------------------|
| 2016 | | | | | | |
| Executive directors: | | | | | | |
| Mr. Derek Chiu | 10,000 | 1,550,545 | 18,000 | 1,917,180 | 763,200 | 4,258,925 |
| Ms. Margaret Chiu | 10,000 | 132,000 | 6,600 | - | - | 148,600 |
| Mr. Alex Chiu | 5,820 | - | - | - | - | 5,820 |
| Ms. Amanda Chiu | 5,820 | - | - | - | - | 5,820 |
| | <u>31,640</u> | <u>1,682,545</u> | <u>24,600</u> | <u>1,917,180</u> | <u>763,200</u> | <u>4,419,165</u> |
| Non-executive directors: | | | | | | |
| Madam Chiu Ju Ching Lan | 10,000 | 360,000 | - | - | - | 370,000 |
| Mr. Dick Tat Sang Chiu | 10,000 | - | - | - | - | 10,000 |
| | <u>20,000</u> | <u>360,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>380,000</u> |
| Independent non-executive directors: | | | | | | |
| Mr. Ip Shing Hing | 120,000 | - | - | 319,530 | - | 439,530 |
| Mr. Ng Wing Hang | 120,000 | - | - | 319,530 | - | 439,530 |
| Mr. Choy Wai Shek | 120,000 | - | - | 319,530 | - | 439,530 |
| | <u>360,000</u> | <u>-</u> | <u>-</u> | <u>958,590</u> | <u>-</u> | <u>1,318,590</u> |
| | <u>411,640</u> | <u>2,042,545</u> | <u>24,600</u> | <u>2,875,770</u> | <u>763,200</u> | <u>6,117,755</u> |

Note: Other benefits include certain leasehold land and building of the Group with estimated rateable value of HK\$765,000 (2016: HK\$763,200) was occupied by Mr. Derek Chiu as his residence.

Mr. Derek Chiu is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No emolument was paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office in both years ended 31 March 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

10. FIVE HIGHEST PAID EMPLOYEES

The five (2016: five) highest paid employees of the Group during the year included two directors (2016: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employee who are neither a director nor Chief Executive of the Company are as follows:

| | 2017 HK\$ | 2016 HK\$ |
|--|------------------|------------------|
| Salaries and other allowance | 1,596,421 | 1,502,345 |
| Retirement benefit schemes contributions | 51,000 | 54,000 |
| Share-based payment expenses | - | 775,768 |
| | <u>1,647,421</u> | <u>2,332,113</u> |

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | 2017 No. of employees | 2016 No. of employees |
|--------------------------------|-----------------------------|-----------------------------|
| Nil to HK\$1,000,000 | 3 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | - | 1 |
| | <u>3</u> | <u>3</u> |

During the year ended 31 March 2016, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 40 to the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and comprehensive income as follows:

| | 2017 HK\$ | 2016 HK\$ |
|--|--------------------|--------------|
| Loss before tax | (4,775,157) | (10,549,887) |
| Tax at the Hong Kong Profits Tax rate of 16.5% (note) | (787,901) | (1,740,731) |
| Tax effect of share of results of associates | (76,163) | (72,793) |
| Tax effect of share of result of a joint venture | 314,107 | (480,781) |
| Tax effect of expenses not deductible for tax purposes | 913,727 | 1,010,302 |
| Tax effect of income not taxable for tax purposes | (1,272,861) | (1,693,198) |
| Tax effect of tax losses not recognised | 1,851,574 | 3,001,057 |
| Utilisation of tax losses previously not recognised | (966,657) | (42,585) |
| Others | 24,174 | 18,729 |
| Income tax expense for the year | - | - |

Note: The domestic tax rate which is Hong Kong Profits Tax rate in the jurisdiction where the operation of the Group is substantially based is used.

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the loss for the year of HK\$4,775,157 (2016: HK\$10,549,887) and the number of shares as calculated below.

| | 2017 | 2016 |
|---|--------------------|-------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 603,230,675 | 600,530,074 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

12. LOSS PER SHARE (Continued)

The computation of the diluted loss per share for the current and prior years does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

| | Modification costs to superstructure HK\$ (Note) | Leasehold land and buildings in Hong Kong | | Leasehold improvements HK\$ | Furniture, fixtures, equipment, motor vehicles and others HK\$ | Total HK\$ |
|-------------------------|--|---|-----------------------------|-----------------------------------|---|--------------------|
| | | Hotel property HK\$ | Other properties HK\$ | | | |
| COST | | | | | | |
| At 1 April 2015 | 102,444,113 | 37,323,408 | 21,789,442 | 14,886,868 | 43,023,235 | 219,467,066 |
| Exchange adjustments | (2,944,747) | - | - | (654,377) | (480,069) | (4,079,193) |
| Additions | 4,296 | - | - | 129,605 | 1,334,977 | 1,468,878 |
| Disposals | - | - | - | - | (62,522) | (62,522) |
| At 31 March 2016 | 99,503,662 | 37,323,408 | 21,789,442 | 14,362,096 | 43,815,621 | 216,794,229 |
| Exchange adjustments | (3,475,722) | - | - | (770,127) | (577,429) | (4,823,278) |
| Additions | 812,458 | - | - | - | 2,060,255 | 2,872,713 |
| Disposals | (7,659) | - | - | - | (1,356,198) | (1,363,857) |
| At 31 March 2017 | 96,832,739 | 37,323,408 | 21,789,442 | 13,591,969 | 43,942,249 | 213,479,807 |
| DEPRECIATION | | | | | | |
| At 1 April 2015 | 71,278,979 | 23,638,192 | 6,087,974 | 7,485,673 | 35,695,509 | 144,186,327 |
| Exchange adjustments | (2,110,486) | - | - | (234,671) | (397,434) | (2,742,591) |
| Provided for the year | 3,558,165 | 746,472 | 482,911 | 1,374,468 | 1,425,798 | 7,587,814 |
| Eliminated on disposals | - | - | - | - | (55,520) | (55,520) |
| At 31 March 2016 | 72,726,658 | 24,384,664 | 6,570,885 | 8,625,470 | 36,668,353 | 148,976,030 |
| Exchange adjustments | (2,612,094) | - | - | (361,340) | (488,098) | (3,461,532) |
| Provided for the year | 3,439,011 | 746,472 | 482,911 | 1,250,291 | 1,556,491 | 7,475,176 |
| Eliminated on disposals | (6,893) | - | - | - | (1,352,278) | (1,359,171) |
| At 31 March 2017 | 73,546,682 | 25,131,136 | 7,053,796 | 9,514,421 | 36,384,468 | 151,630,503 |
| CARRYING VALUES | | | | | | |
| At 31 March 2017 | 23,286,057 | 12,192,272 | 14,735,646 | 4,077,548 | 7,557,781 | 61,849,304 |
| At 31 March 2016 | 26,777,004 | 12,938,744 | 15,218,557 | 5,736,626 | 7,147,268 | 67,818,199 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: Modification costs to superstructure relate to costs incurred in previous years for restructuring and modification of the rented premise in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|--|---|
| Modification costs to superstructure | 3.57% to 33.3% |
| Leasehold land and buildings | Over the shorter of the terms of the lease, or 50 years |
| Leasehold improvements | 33.3% |
| Furniture, fixtures, equipment, motor vehicles and others | 10% to 33.3% |

The net book value of furniture, fixtures, equipment, motor vehicles and others of HK\$7,557,781 (2016: HK\$7,147,268) includes an amount of HK\$1,526,854 (2016: HK\$552,096) in respect of asset held under finance lease.

14. INVESTMENT PROPERTIES

| | 2017 HK\$ | 2016 HK\$ |
|---|--------------------|--------------|
| At 1 April | 122,499,779 | 74,084,976 |
| Exchange adjustments | (179,137) | 750,400 |
| Additions | 188,252 | 1,059,263 |
| Acquired arising on acquisition of subsidiaries (note 39) | 47,989,881 | 40,502,434 |
| Net increase in fair values recognised in profit or loss | 1,200,510 | 6,102,706 |
| | <hr/> | <hr/> |
| At 31 March | 171,699,285 | 122,499,779 |

All of the Group's property interests which are held under operating leases to earn rentals, for capital appreciation purposes or held for an undetermined future use are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties which are stated at fair value at the end of the reporting period are situated in Hong Kong and Fiji.

On 12 November 2013, the High Court of Hong Kong Special Administrative Region (the "HKSAR") dismissed the claims of a subsidiary of the Group and a related company controlled by Mr. Derek Chiu and his family ("Chiu's Family") as trustee for the Group in respect of the possession of seven plots of agricultural land in Survey District No. 4, Tsuen Wan, New Territories. The titles in these plots of land were extinguished and accordingly, the respective plots of land of HK\$4,981,457 were de-recognised and charged to profit or loss in the year ended 31 March 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

14. INVESTMENT PROPERTIES (Continued)

In view of this event, the directors have performed internal assessment on the potential risk of dispossession in relation to the Group's investment properties. Certain properties are considered having risks of dispossession or having suspected trespass. The directors have taken into account the degree of uncertainty in risks of dispossession when considering the fair value of the Group's investment properties. Therefore, properties that are considered having risks of dispossession or have suspected trespass are stated at fair value of HK\$1. The directors consider it is only appropriate that the investment properties be recognised on consolidated statement of financial position for those properties that are considered having low risk of dispossession. The historical cost of the Group's investment properties, having risk of dispossession, valued at HK\$1, amounted to HK\$21,921,767 (2016: HK\$21,921,767).

On 12 May 2015, the High Court of the HKSAR granted an order in favour of a subsidiary of the Group in respect of the possession of a plot of agricultural land in Survey District No.4, Tsuen Wan, New Territories. At 31 March 2015, the properties were considered having risk of dispossession as described above. Accordingly, the fair value of the respective plot of land of HK\$6,311,969 was recognised and credited to profit or loss during the year ended 31 March 2016.

There are certain unauthorised structures erected on certain investment properties. A letter issued by the Land Department of HKSAR ("Land Department") dated 12 December 2014 (the "Letter") to the Group that such unauthorised structures were in breach of lease conditions and the Land Department required the Group to purge the said breach by demolishing or removing the unauthorised structures before 9 January 2015. It is further stated in the Letter that in the event that the unauthorised structures still remain on the investment properties on the expiry of the time limit stipulated, the Government shall without further warning re-enter the lot or vest all the interests held under the Government lease in the Financial Secretary Incorporated under the Government Rights Re-entry and Vesting Remedies Ordinance (Chapter 126), as the case may be in which case rights in the lot held under the Government lease will be forfeited.

In view of this event, the directors have performed internal assessment on the potential risk of the investment properties were to be forfeited by the Government, any interests in the investment properties would be extinguished. Therefore, properties that are considering having risk of forfeiture by the Government are stated at fair value of HK\$1, therefore a decrease in fair value of HK\$49,757,714 was recognised and charged to profit or loss in the year ended 31 March 2015. The historical cost of those investment properties, having risk of forfeiture, valued at HK\$1, amounted to HK\$12,355,861.

In estimating the fair value of other investment properties, the Group uses market-observable data to the extent it is available. The Group engages a third party qualified valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs to the model.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

14. INVESTMENT PROPERTIES *(Continued)*

For the Group's investment properties located in Hong Kong, the fair values at 31 March 2017 and 2016 have been arrived at on the basis of a valuation carried out on that date by Chung, Chan & Associates, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties under the prevailing property market conditions. In the valuation under direct comparison approach, which falls under Level 3 of the fair value hierarchy, market unit rate and the ex-gratia compensation rates of comparable properties are the key inputs for the Group's residential units and the land respectively. The higher/lower the market unit rate or ex-gratia compensation rate, the higher/lower the fair value. The adopted market unit rates for the Group's residential units are from range of HK\$4,070 to HK\$4,545 (2016: HK\$3,928 to HK\$4,029) per square foot and the ex-gratia compensation rates for the Group's interests in various lots of land range from HK\$332 to HK\$969 (2016: HK\$385 to HK\$900) per square foot.

For the Group's investment property located in Fiji, the fair value at 31 March 2017 and 2016 have been arrived at on the basis of a valuation carried out on that date by Savills Valuations Pty Ltd., an independent qualified professional valuer not connected with the Group. The valuation was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties under the prevailing property market conditions. In the valuation under direct comparison approach, which falls under Level 3 of the fair value hierarchy, market unit rate of comparable properties are the key inputs for the Group's investment property. The higher/lower the market unit rates, the higher/lower the fair value. The adopted market unit rates for the Group's investment property is FJ\$15 (equivalent to HK\$56) (2016: FJ\$15 (equivalent to HK\$56)) per square foot.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into or out of Level 3 during the year.

Certain investment properties with a carrying value of HK\$42,469,558 (2016: HK\$40,026,860) are registered in the name of a company controlled by the Chiu's Family as trustee for the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

15. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

| Name of subsidiary | Issued and fully paid ordinary share capital/ registered capital | Proportion of issued share capital/ registered capital held by the Company | | Principal activities |
|--|---|---|-----------------|-----------------------------------|
| | | 2017 % | 2016 % | |
| <i>Direct owned subsidiaries</i> | | | | |
| Alabama Investment Company Limited | HK\$9,000 | 97.8 | 97.8 | Hotel operation |
| Kingwell Century Limited | HK\$2 | 100 | 100 | Property holding |
| Lai Chi Kok Amusement Park Company, Limited | HK\$25,200,000 | 100 | 100 | Property investment |
| Mainstar International Limited | HK\$1 | 100 | 100 | Property investment |
| Rex Entertainment Limited | HK\$100,000 | 100 | 100 | Property investment |
| Sino Noble Development Limited | HK\$100 | 100 | 50 (note 17) | Property investment |
| <i>Indirect owned subsidiaries</i> | | | | |
| Beijing Hai Lian Property Management Co., Ltd. | RMB25,115,180 Paid up registered capital | 90 | 90 | Property investment |
| Oneyon Limited | HK\$2 | 100 | 100 | Investment holding |
| Tradeland Investments Limited | HK\$250,000 | 100 | 100 | Investment holding |
| Yuk Sue Investment Limited | HK\$2 | 100 | 100 | Securities trading and investment |
| Far East Beach Villa Limited | FJ\$250,000 | 100 | 100 | Property investment |

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

15. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

All principal subsidiaries are incorporated and operate in Hong Kong except for Beijing Hai Lian Property Management Co., Ltd. which is a sino-foreign equity joint venture registered and operates in the PRC and Far East Beach Villa Limited which is incorporated and operates in Fiji.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these other subsidiaries were established in the Hong Kong and their principal activities are mainly either investment holding or inactive.

16. INTERESTS IN ASSOCIATES

| | 2017 HK\$ | 2016 HK\$ |
|--|------------------|----------------|
| Unlisted shares, at cost | 2 | 2 |
| Share of post-acquisition results, net of dividends received | 1,221,638 | 760,044 |
| | <u>1,221,640</u> | <u>760,046</u> |

The financial year end date of the associates is 31 December which is different from that of the Company. For the purpose of applying the equity method of accounting, their financial statements for the year ended 31 December 2016 (2015: 31 December 2015) have been adopted and adjusted for the effects of significant transactions, if any, that occur from 1 January 2017 to 31 March 2017 (2016: 1 January 2016 to 31 March 2016).

Particulars of the associates are as follows:

| Name of associate | Place of incorporation/operation | Issued share capital | Proportion of nominal value of issued share capital held by the Group | | Principal activities |
|--|----------------------------------|-----------------------|---|------|----------------------|
| | | | 2017 | 2016 | |
| | | | % | % | |
| Central More Limited ("Central More") | Hong Kong | HK\$2 Ordinary shares | 50 | 50 | Property development |
| Nob Hill Management Limited ("Nob Hill") | Hong Kong | HK\$1 Ordinary shares | 50 | 50 | Property management |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

16. INTERESTS IN ASSOCIATES (Continued)

The Group holds 50% of the issued share capital of its associates. However, under the agreement, the other shareholders control the composition of the board of directors of these associates and have control over these associates. The directors of the Company consider that the Group has significant influence over these associates and they are therefore classified as associates of the Group.

All of these associates are accounted for using equity method in these consolidated financial statements.

Aggregate financial information of Central More and Nob Hill is not individually material to the Group.

17. INTEREST IN A JOINT VENTURE

| | 2017 HK\$ | 2016 HK\$ |
|-----------------------------------|--------------|-------------------|
| Unlisted investment | – | 2,277,239 |
| Share of post-acquisition results | – | 15,084,202 |
| | <u>–</u> | <u>17,361,441</u> |

As at 31 March 2016, cost of investments in joint venture includes an amount of HK\$2,277,189 representing the difference between the carrying amount of interest-free loan advanced to the joint venture, the settlement of which is neither planned nor likely to occur in the foreseeable future, and the present value of the estimated future cash flows discounted at an effective interest rate of 3.25% (2016: 3.25%) per annum.

As at 31 March 2016, the interest in a joint venture represents a 50% interest in the issued capital of Sino Noble Development Limited, a company incorporated in Hong Kong. Sino Noble Development Limited is principally engaged in property investment. In December 2016, the Group acquired the remaining 50% equity interest in Sino Noble Development Limited at a consideration of HK\$22,815,000. Following the completion of the acquisition, Sino Noble Development Limited became a wholly-owned subsidiary of the Company. Details of the transaction are set out in note 39(a).

The joint venture is accounted for using the equity method in these consolidated financial statements.

The financial information in respect of a joint venture of the Group which is accounted for using the equity method is set out below:

| | 2017 HK\$ | 2016 HK\$ |
|---------------------|--------------|--------------|
| Non-current assets | – | 49,500,000 |
| Current liabilities | – | 14,777,117 |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

17. INTEREST IN A JOINT VENTURE (Continued)

| | 2017 | 2016 |
|----------|------------------|-----------|
| | HK\$ | HK\$ |
| Income | – | 5,840,000 |
| Expenses | 3,807,355 | 12,355 |

Reconciliation of above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | 2017 | 2016 |
|---|--------------------|------------|
| | HK\$ | HK\$ |
| Net assets | – | 34,722,883 |
| Proportion of the Group's ownership interest in joint venture | – | 50% |
| | – | 17,361,441 |
| The Group's share of (loss) profit | (1,903,678) | 2,913,822 |

18. LOAN TO A JOINT VENTURE

At 31 March 2016, the loan to the joint venture was unsecured, interest-free and has no fixed repayment terms. The loan is not expected to be settled within twelve months from the end of the reporting period and is carried at amortised cost, which represents the difference between the carrying amount and the present value of the estimated future cash flows discounted at an effective interest rate of 3.25% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

19. PROMISSORY NOTES RECEIVABLES

The amount represented by four promissory notes with outstanding principal amount of HK\$6,000,000, HK\$6,000,000, HK\$6,000,000 and HK\$3,250,000 which is repayable by no later than 31 December 2016, 31 December 2017, 31 December 2018, and 30 June 2019, respectively. The promissory notes bear interest at 1.5% per annum.

The promissory notes comprise of:

| | 2017 HK\$ | 2016 HK\$ |
|-----------------------------------|-------------------|-------------------|
| Amount receivable within one year | 12,000,000 | 6,000,000 |
| Amount receivables after one year | 9,250,000 | 15,250,000 |
| | <u>21,250,000</u> | <u>21,250,000</u> |

The directors of the Company assess the collectability on the carrying value of the promissory notes receivables at the end of each reporting period. Management considers that the exposure to credit risk is insignificant in view of management's dedicated effort in monitoring the outstanding balance and positive development on settlement arrangement. The directors of the Company believe that no allowance on the promissory notes receivables have to be recognised.

20. AVAILABLE-FOR-SALE INVESTMENTS

The unlisted equity securities were measured at cost less impairment, if any, at the end of the reporting period.

In August 2015, the Group completed the disposal of its equity interest in Warick Holdings S.A. of carrying amount HK\$140,000,000 to Up Mark Limited, a related company controlled by a director of the Company, at a consideration of HK\$140,000,000. Details of the transaction are set out in note 39(b).

At the end of the reporting period, the Company has another available-for-sale investment namely, Bolan Holdings N.V. that is not material to the Group. This available-for-sale investment was established in Australia and its principal activity is property investment. The cost of investment has been fully impaired in previous years.

21. PAINTINGS

Paintings are stated at cost less impairment at the end of the reporting period. The accumulated impairment losses of HK\$1,182,173 (2016: HK\$1,182,173) as at 31 March 2017 was made by the directors of the Company with reference to the open market values of those paintings.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

22. HELD-FOR-TRADING INVESTMENTS

| | 2017 | 2016 |
|--|-------------------|------------|
| | HK\$ | HK\$ |
| Equity securities listed in Hong Kong, at fair value | 39,441,106 | 16,070,838 |

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

23. INVENTORIES

The amount represents food and beverage and other consumables, of which HK\$186,215 (2016: HK\$186,215) are stated at net realisable value.

24. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period which approximately the respective date of rendering of services.

| | 2017 | 2016 |
|--------------|------------------|-----------|
| | HK\$ | HK\$ |
| 0-30 days | 2,379,990 | 579,459 |
| 31-60 days | 29,487 | 3,984,347 |
| Over 60 days | 1,944,057 | 449,282 |
| | 4,353,534 | 5,013,088 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

24. TRADE RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

| | 2017 HK\$ | 2016 HK\$ |
|----------------------------------|--------------|--------------|
| Balance at beginning of the year | 249,783 | 262,775 |
| Exchange adjustment | (15,334) | (12,992) |
| Balance at end of the year | 234,449 | 249,783 |

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

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK\$234,449 (2016: HK\$249,783) which are in severe financial difficulties and therefore the directors of the Company considered that they are irrecoverable.

Trade receivable due from the related party

Included in the Group's trade receivables is an amount due from the Group's related company of HK\$2,251,006 (2016: HK\$668,788). The amounts outstanding are unsecured and amounting to HK\$1,938,009 (2016: HK\$316,874) are past due but not impaired at the end of the reporting period. No impairment has been recognised in the period for doubtful debts in respect of the amount outstanding from the related company. The related company is controlled by a director of the Company.

25. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at prevailing market rate of 0.01% (2016: 0.01%) per annum.

The pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 0.25% (2016: 0.01% to 0.25%) per annum and are pledged to secure banking overdrafts granted to the Group and therefore classified as current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

26. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 2017 | 2016 |
|-----------------------------|------------------------------|------------------------|
| | HK\$ | HK\$ |
| Trade payables | 794,502 | 1,914,211 |
| Other payables and accruals | 4,257,556 | 3,916,466 |
| Receipt in advance | 4,359,001 | 4,314,145 |
| | <hr/> 9,411,059 <hr/> | <hr/> 10,144,822 <hr/> |

Included in trade and other payables and accruals are trade payables of HK\$794,502 (2016: HK\$1,914,211). The following is an aged analysis of the trade creditors based on invoice date:

| | 2017 | 2016 |
|--------------|----------------------------|-----------------------|
| | HK\$ | HK\$ |
| 0-30 days | 276,317 | 281,293 |
| 31-60 days | 186,473 | 283,029 |
| Over 60 days | 331,712 | 1,349,889 |
| | <hr/> 794,502 <hr/> | <hr/> 1,914,211 <hr/> |

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

27. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

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

29. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

30. BANK BORROWINGS AND BANK OVERDRAFTS

| | 2017 | 2016 |
|---|---------------------|--------------|
| | HK\$ | HK\$ |
| The secured bank borrowings are repayable as follows: | | |
| Within one year* | 2,438,014 | 2,371,942 |
| Within a period of more than one year but not exceeding two years* | 2,505,997 | 2,438,023 |
| Within a period of more than two years but not exceeding five years* | 7,944,349 | 7,729,171 |
| Within a period of more than five years* | 4,224,718 | 6,945,909 |
| | 17,113,078 | 19,485,045 |
| Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) | 14,793,600 | 14,793,600 |
| | 31,906,678 | 34,278,645 |
| Less: Amount due within one year shown under current liabilities | (17,231,614) | (17,165,542) |
| | 14,675,064 | 17,113,103 |

* The amounts due are based on schedule repayment dates set out in the loan agreements.

The bank borrowings carry floating-rate interest based on the bank's prime rate ("Prime Rate") and the Hong Kong Interbank Offered Rate ("HIBOR") and the effective interest rates ranged from 2.62% to 2.75% (2016: 2.63% to 2.76%) per annum.

The bank borrowings and bank overdrafts are secured by the pledge of assets as set out in note 35.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

31. OBLIGATION UNDER A FINANCE LEASE

| | 2017 | | 2016 | |
|---|-------------------------------|--|-------------------------------|--|
| | Minimum lease payment HK\$ | Present value of minimum lease payment HK\$ | Minimum lease payment HK\$ | Present value of minimum lease payment HK\$ |
| Obligation under finance lease payable: | | | | |
| Within one year | 395,196 | 361,501 | 152,112 | 133,652 |
| Within a period of more than one year but not more than two years | 344,492 | 326,257 | 152,112 | 141,690 |
| Within a period of more than two years but not more than five years | 384,883 | 374,737 | 101,408 | 99,192 |
| | 1,124,571 | 1,062,495 | 405,632 | 374,534 |
| Less: Future finance lease charges | (62,076) | – | (31,098) | – |
| Present value of lease obligation | 1,062,495 | 1,062,495 | 374,534 | 374,534 |
| Less: Amounts due for settlement within twelve months (shown under current liabilities) | | (361,501) | | (133,652) |
| Amounts due for settlement after twelve months (shown under non-current liabilities) | | 700,994 | | 240,882 |

The lease term is 5 years. For the year ended 31 March 2017, the average effective borrowing rate was 4.41% (2016: 5.90%) per annum. Interest rate are fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

32. SHARE CAPITAL

| | Number of shares | HK\$ |
|------------------------------------|---------------------|--------------------|
| Issued and fully paid: | | |
| Ordinary shares with no par value | | |
| At 1 April 2015 | 594,410,675 | 308,795,513 |
| Exercise of share options (Note a) | 7,700,000 | 1,969,400 |
| | <hr/> | <hr/> |
| At 31 March 2016 | 602,110,675 | 310,764,913 |
| Exercise of share options (Note a) | 5,600,000 | 1,379,300 |
| | <hr/> | <hr/> |
| At 31 March 2017 | 607,710,675 | 312,144,213 |

Notes:

- (a) Details of the exercise of and share options during the year ended 31 March 2017 and 2016 are set out in note 40.
- (b) All the shares issued during the year rank pari passu with other shares in issue in all respects.
- (c) Pursuant to a special resolution passed by the shareholders on 1 June 2007 and the subsequent order of the High Court of the Hong Kong Special Administrative Region granted on 20 July 2007, capital reduction took effect on 20 July 2007 whereby both issued and unissued ordinary share capital with par value of HK\$1.00 were reduced by HK\$0.90 per share to HK\$0.10 per share and the nominal value of the issued share capital was reduced by HK\$439,958,407 of which an amount of HK\$221,897,828 was applied towards eliminating the accumulated losses of the Company as at 31 March 2006, an amount of HK\$100,000,000 was reserved and credited to a special reserve account. The remaining balance of HK\$118,060,579 was credited to the share premium account and was transferred to share capital in 2014 upon abolition of par value under the Hong Kong Companies Ordinance.

The special reserve can be applied for:

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

The special reserve is undistributable pursuant to sections 290 of the Hong Kong Companies Ordinance (Cap. 622) unless the person entitling to the benefit thereof has agreed otherwise.

33. PROVISION FOR LONG SERVICE PAYMENTS

The amount recognised represents the present value of the retirement benefit obligation as adjusted for unrecognised past service cost, if any, and as reduced by the fair value of plan assets. The amount is reviewed on an annual basis and adjusted as appropriate.

Notes to the Consolidated Financial Statements

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34. DEFERRED TAXATION

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

| | Accelerated tax depreciation HK\$ | Tax losses HK\$ | Total HK\$ |
|-----------------------------------|--|-----------------------|---------------|
| At 1 April 2015 | 1,315,390 | (1,315,390) | – |
| (Credit) charge to profit or loss | 47,423 | (47,423) | – |
| At 31 March 2016 | 1,362,813 | (1,362,813) | – |
| Charge (credit) to profit or loss | 17,074 | (17,074) | – |
| At 31 March 2017 | 1,379,887 | (1,379,887) | – |

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

At 31 March 2017, the Group has unused tax losses of approximately HK\$204,566,000 (2016: HK\$199,100,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$8,363,000 (2016: HK\$8,260,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$196,203,000 (2016: HK\$190,840,000) due to the unpredictability of future profit streams.

At 31 March 2017, the unrecognised tax losses may be carried forward indefinitely, except for an amount approximately of HK\$1,225,000 (2016: HK\$4,389,000) which would be expired from 2017 to 2018 (2016: 2016 to 2018). During the year ended 31 March 2017, unrecognised tax losses of nil (2016: approximately HK\$938,000) had been expired.

35. PLEDGE OF ASSETS

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

| | 2017 HK\$ | 2016 HK\$ |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 30,833,445 | 32,027,293 |
| Bank deposits | 2,118,000 | 2,118,000 |
| | 32,951,445 | 34,145,293 |

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For the year ended 31 March 2017

36. OPERATING LEASES

The Group as lessee

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

| | 2017 HK\$ | 2016 HK\$ |
|---------------------------------------|-------------------|-------------------|
| Within one year | 5,608,861 | 6,386,604 |
| In the second to fifth year inclusive | 18,972,742 | 21,188,013 |
| Over five years | 11,826,988 | 17,640,706 |
| | <u>36,408,591</u> | <u>45,215,323</u> |

A subsidiary entered into an agreement with its non-controlling shareholder for the lease of its properties for a period of twenty-two years at a fixed rent of RMB4,200,000 (equivalent to approximately HK\$4,731,000) per year. The lease will expire on 30 September 2024. Rental expenses of the properties for the year amounted to HK\$4,730,795 (2016: HK\$5,040,202).

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

The Group as lessor

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

| | 2017 HK\$ | 2016 HK\$ |
|---------------------------------------|-------------------|-------------------|
| Within one year | 8,940,610 | 21,143,430 |
| In the second to fifth year inclusive | 13,710,712 | 21,972,383 |
| | <u>22,651,322</u> | <u>43,115,813</u> |

The properties have committed tenants for a term of one to three years (2016: two to four years) at fixed rental.

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37. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong commencing from December 2000. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme or HK\$1,500, whichever is the lower.

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

38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related companies which are controlled by a director of the Company:

| | 2017 | 2016 |
|--|------------------|---------|
| | HK\$ | HK\$ |
| Interest from promissory notes receivables | 300,677 | 203,646 |
| Licence fee income | 1,505,720 | 668,788 |
| Other compensation income | – | 327,097 |

During the year ended 31 March 2017, the Group has acquired the remaining 50% equity interest in Sino Noble Development Limited, a 50% joint venture of the Group from a director of the Company. Details of the transaction are set out in note 39(a).

During the year ended 31 March 2016, the Group has disposed of its available-for-sale investments, being 16.09% of the entire issued share capital of Warwick Holdings S.A. to and acquired a group of subsidiaries from a related company (the “Transactions”) which is controlled by a director of the Company. Details of the Transactions are set out in note 39(b).

During the year ended 31 March 2016, the Group has entered a licence agreement with a related company which is controlled by a director of the Company. The licence agreement grants a licence to the related company to operate the hotel properties in Fiji for three years with licence fee of US\$200,000 per annum. Renewal of the licence agreement are subject to shareholders’ approval of the Company. The licence fee income has been disclosed as gross rental income from properties as set out in note 5.

Remuneration to the key management personnel comprising the directors and three (2016: three) highest paid employees are disclosed in notes 9 and 10, respectively. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Balances with associates, joint venture and related companies are set out in the Group’s statement of financial position and related notes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

38. RELATED PARTY TRANSACTIONS (Continued)

Other receivables due from related parties

At 31 March 2017, included in the Group's other receivables are amounts due from the Group's related companies of HK\$540,865 (2016: HK\$738,045). The related companies are controlled by a director of the Company.

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

- (a) In December 2016, the Group acquired the remaining 50% equity interest in Sino Noble Development Limited, a former 50% joint venture of the Group. Following the completion of the acquisition, Sino Noble Development Limited became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition.

Details of the transaction are set out in the Company's announcements dated 24 October 2016, 28 November 2016 and 5 December 2016 and circular dated 10 November 2016.

The assets acquired and liabilities assumed in the transaction were as follows:

| | HK\$ |
|---|--------------|
| Investment properties | 47,989,881 |
| Shareholder's loan | (8,447,118) |
| Other payables | (1,270,000) |
| | <hr/> |
| Fair value of net assets acquired | 38,272,763 |
| Transferred from interest in a joint venture | (15,457,763) |
| | <hr/> |
| Cash consideration paid and cash outflow arising on acquisition | 22,815,000 |
| | <hr/> <hr/> |

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

- (b) In August 2015, the Group acquired the entire issued share capital of Rise Vision Limited, which owns approximately 100% equity interest in Far East Beach Villa Limited (formerly known as Silver Autumn Beach Villa Limited) which in turn owns hotel properties in Fiji. Following the completion of the acquisition, Rise Vision Limited became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 “Business Combinations” and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

| | HK\$ |
|-----------------------------------|-------------|
| Investment properties | 40,502,434 |
| Inventories | 60,633 |
| Trade and other receivables | 317,920 |
| Bank balances and cash | 47,110 |
| Trade and other payables | (178,097) |
| | <hr/> |
| Fair value of net assets acquired | 40,750,000 |
| | <hr/> <hr/> |

The net assets acquired as set out above forms part of the consideration of the disposal of the Group’s available-for-sale investments, being 16.09% of the entire issued share capital of Warwick Holdings S.A.. The transaction consideration was determined after arm’s length negotiation and the transactions were completed in August 2015. Details of the transactions are set out in an announcement and a circular of the Company dated 30 June 2015 and 22 July 2015 respectively.

Total consideration satisfied by:

| | HK\$ |
|--|---------------|
| Cash consideration received | 78,000,000 |
| Promissory notes receivables (note 19) | 21,250,000 |
| Net assets of Rise Vision Limited acquired | 40,750,000 |
| | <hr/> |
| Total consideration | 140,000,000 |
| Available-for-sale investments disposed of (note 20) | (140,000,000) |
| | <hr/> |
| | – |
| | <hr/> <hr/> |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 78,000,000 |
| Cash and cash equivalents acquired | 47,110 |
| | <hr/> |
| | 78,047,110 |
| | <hr/> <hr/> |

Notes to the Consolidated Financial Statements

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40. SHARE OPTIONS SCHEME

The share option scheme (the “Scheme”) was approved and adopted on 1 June 2007 for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business associates or any other person who will contribute or have contributed to the Company or any of its subsidiaries. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company’s shareholders, (a) the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time; (b) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

Options vested immediately may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares.

The Scheme was terminated by an ordinary resolution duly passed at the general meeting of the Company held on 2 September 2016. Upon termination of the Scheme, no further options were granted thereunder, and the options granted prior to and remaining outstanding at termination shall continue to be valid and exercisable in accordance with the terms of the Scheme.

During the year ended 31 March 2016, additional share options of 12,600,000 were granted by the Company to the directors and employees at an initial exercise price of HK\$0.5600 per share. No additional share options was granted during the year ended 31 March 2016.

At 31 March 2017, the number of shares options held by the directors and employees remained outstanding under the Scheme was 25,100,000 (2016: 31,200,000), which, if exercise in full, the new shares issued would represent 4% (2016: 5%) of the enlarged capital of the Company.

The following table sets out the movements of the Company’s share options during the year ended 31 March 2017 and 31 March 2016:

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For the year ended 31 March 2017

40. SHARE OPTIONS SCHEME (Continued)

| Eligible person | Date of grant | Exercise period | Exercise price | Outstanding as at 1.4.2015 | Granted during the year | Number of options | | | | | Outstanding as at 31.3.2017 |
|--|---------------|--------------------------|----------------|----------------------------|-------------------------|--------------------|--------------------|-----------------------------|--------------------|------------------|-----------------------------|
| | | | | | | Exercised | Lapsed | Outstanding as at 31.3.2016 | Exercised | Lapsed | |
| Directors | 30.12.2009 | 30.12.2009 to 29.12.2019 | 0.2820 | 3,000,000 | - | - | - | 3,000,000 | - | - | 3,000,000 |
| | 15.4.2011 | 15.4.2011 to 14.4.2021 | 0.2498 | 4,500,000 | - | - | - | 4,500,000 | (4,500,000) | - | - |
| | 6.2.2014 | 6.2.2014 to 5.2.2024 | 0.2320 | 19,600,000 | - | (3,700,000) | (4,800,000) | 11,100,000 | (1,100,000) | - | 10,000,000 |
| | 23.10.2015 | 23.10.2015 to 22.10.2025 | 0.5600 | - | 9,000,000 | - | - | 9,000,000 | - | - | 9,000,000 |
| | | | | <u>27,100,000</u> | <u>9,000,000</u> | <u>(3,700,000)</u> | <u>(4,800,000)</u> | <u>27,600,000</u> | <u>(5,600,000)</u> | <u>-</u> | <u>22,000,000</u> |
| Employees and other providing similar services | 30.12.2009 | 30.12.2009 to 29.12.2019 | 0.2820 | 3,000,000 | - | (3,000,000) | - | - | - | - | - |
| | 24.2.2010 | 24.2.2010 to 23.2.2020 | 0.2650 | 1,000,000 | - | (1,000,000) | - | - | - | - | - |
| | 6.2.2014 | 6.2.2014 to 5.2.2024 | 0.2320 | - | - | - | - | - | - | - | - |
| | 23.10.2015 | 23.10.2015 to 22.10.2025 | 0.5600 | - | 3,600,000 | - | - | 3,600,000 | - | (500,000) | 3,100,000 |
| | | | | <u>4,000,000</u> | <u>3,600,000</u> | <u>(4,000,000)</u> | <u>-</u> | <u>3,600,000</u> | <u>-</u> | <u>(500,000)</u> | <u>3,100,000</u> |
| Exercisable at the end of the year | | | | <u>31,100,000</u> | | | | <u>31,200,000</u> | | | <u>25,100,000</u> |
| Weighted average exercise price | | | | <u>0.2453</u> | <u>0.5600</u> | <u>0.2558</u> | <u>0.2320</u> | <u>0.3718</u> | <u>0.2463</u> | <u>0.5600</u> | <u>0.3961</u> |

During the year, 5,600,000 (2016: 7,700,000) share options which were granted on 15 April 2011 and 6 February 2014 (2016: 30 December 2009, 24 February 2010 and 6 February 2014) were exercised by a director at HK\$0.2320 to HK\$0.2498 (2016: HK\$0.2320 to HK\$0.2820) per share. The weighted average share price at the date of exercise is HK\$0.41 (2016: HK\$0.5276). 500,000 (2016: 4,800,000) share options were lapsed during the year ended 31 March 2017. No share options were cancelled during the two years ended 31 March 2017 and 31 March 2016.

The estimated fair values of the options granted on 30 December 2009, 24 February 2010, 15 April 2011, 6 February 2014 and 23 October 2015 are HK\$0.153, HK\$0.139, HK\$0.1404, HK\$0.07383 and HK\$0.3074, respectively.

Notes to the Consolidated Financial Statements

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40. SHARE OPTIONS SCHEME (Continued)

The fair values of share options granted on 23 October 2015 were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

| | |
|------------------------------------|------------|
| Closing price at the date of grant | HK\$0.5600 |
| Exercise price | HK\$0.5600 |
| Risk-free rate | 1.487% |
| Expected life | 10 years |
| Expected volatility | 63.52% |
| Expected dividend yield | Nil |
| Early exercise behaviour | 220%-280% |

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

The Group recognised share-based payment expenses of HK\$3,873,186 for the year ended 31 March 2016 in relation to share options granted by the Company.

On 2 September 2016, the Company terminated the Scheme adopted on 1 June 2007 and adopted a new share option scheme (the "New Scheme"). The New Scheme was approved by the Company for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the New Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the New Scheme is not permitted to exceed 10% of the shares of the Company then in issue; and the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the shares of the Company then in issue and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

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40. SHARE OPTIONS SCHEME (Continued)

Options granted will be taken up upon payment of HK\$1.00 by the grantee. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

Since the adoption of the New Scheme and up to 31 March 2017, no share options have been granted. Therefore, no share options were exercised or cancelled or lapsed during the year ended 31 March 2017 and there were no outstanding share options under the New Scheme as at 31 March 2017.

41. CAPITAL COMMITMENT

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements

| 2017 HK\$ | 2016 HK\$ |
|--------------|--------------|
| 87,500 | – |

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2017, the Group entered into a finance lease arrangement for acquisition of a motor vehicle with a total capital value of HK\$1,016,989.

During the year ended 31 March 2016, the Group disposal of its available-for-sale investments. Parts of the consideration for the disposal comprised acquisition of a group of companies and promissory notes. Details of the transaction are set out in note 39(b).

Notes to the Consolidated Financial Statements

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43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts, which includes the bank borrowings and bank overdrafts less bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Currently, the management uses short term funding to finance its daily operation to minimise finance costs. The Group will balance its overall capital structure through the payment of dividends, as well as raising new debt or repayment of existing debt.

There are no changes on the Group's approach to capital management during the year.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2017 HK\$ | 2016 HK\$ |
|--|--------------|--------------|
| <i>Financial assets</i> | | |
| Loans and receivables (including cash and cash equivalents) | 46,811,201 | 105,866,067 |
| Held-for-trading investments, at fair value | 39,441,106 | 16,070,838 |
| <i>Financial liabilities</i> | | |
| Amortised cost | 35,349,291 | 41,132,624 |

(b) Financial risk management objectives and policies

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and its activities. These risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

There has been no significant change to the Group's exposure to risks or the manner in which they manage and measure the risks.

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44. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) **Interest rate risk**

The Group has exposures to cash flow interest rate risk as the pledged bank deposits, bank balances, bank borrowings and bank overdrafts are carried at variable interest rate.

In addition, the Group also has exposures to fair value interest rate risk relating to its loan to a joint venture and promissory notes receivables which are carried at amortised cost at a fixed effective interest rate.

The Group currently does not have any interest rate hedging policy. However, appropriate measures would be taken to manage interest rate exposure if interest rate fluctuates significantly.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on bank borrowings and bank overdrafts, which are carried at variable interest rate at the end of the reporting period and the exposure to interest rates on loan to a joint venture and promissory notes receivables, which are carried at fixed interest rate at the end of the reporting period. The analysis is prepared assuming the amount of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) represents management's assessment of the reasonably possible change in interest rate. The analyses have not included the bank balances as the financial impact of the change in interest rate on the bank balances is insignificant.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's:

- post-tax loss would increase/decrease by approximately HK\$133,000 (2016: HK\$143,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank overdrafts.
- post-tax loss would decrease/increase by approximately HK\$89,000 (2016: HK\$124,000). This is mainly attributable to the Group's exposure to interest rates on its fixed-rate loan to a joint venture and promissory notes receivables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

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44. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) **Price risk**

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks of held-for-trading investments at the end of the reporting period. If the market price of the held-for-trading investments had been 15% (2016: 15%) higher/lower while all other variables were held constant, the Group's post-tax loss would decrease/increase by approximately HK\$4,940,000 (2016: HK\$2,013,000), as a result of the changes in fair value of the held-for-trading investments. No sensitivity analysis for available-for-sale investments is presented as the available-for-sale investments are measured at cost less impairment.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

(iii) **Credit risk**

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to promissory notes receivables. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Other than concentration of credit risk on loan to a joint venture and promissory notes receivables representing approximately 46% (2016: 28%) of the Group's loans and receivables, the Group does not have any other significant concentration of credit risk.

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44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Liquidity risk

The Group finances its working capital requirements through a combination of funds generated from operations and banking facilities.

The Directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the bank within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations. The Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. As at 31 March 2017, the Group has available unutilised overdraft and bank borrowing facilities of approximately HK\$6,000,000 (2016: HK\$6,000,000).

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Weighted average effective interest rate % | Repayable on demand or less than 1 year HK\$ | 1-2 years HK\$ | 2-5 years HK\$ | Over 5 years HK\$ | Total undiscounted cash flows HK\$ | Carrying amounts HK\$ |
|---------------------------------------|--|--|----------------------|----------------------|-------------------------|---|-----------------------------|
| 2017 | | | | | | | |
| Non-derivative instruments | | | | | | | |
| Non-interest bearing | - | 3,442,613 | - | - | - | 3,442,613 | 3,442,613 |
| Obligations under finance leases | 4.41 | 395,196 | 344,492 | 384,883 | - | 1,124,571 | 1,062,495 |
| Bank borrowings at variable rate | 2.69 | 17,736,621 | 2,878,245 | 8,634,736 | 4,317,518 | 33,567,120 | 31,906,678 |
| | | <u>21,574,430</u> | <u>3,222,737</u> | <u>9,019,619</u> | <u>4,317,518</u> | <u>38,134,304</u> | <u>36,411,786</u> |

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44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

| | Weighted average effective interest rate % | Repayable on demand or less than 1 year HK\$ | 1-2 years HK\$ | 2-5 years HK\$ | Over 5 years HK\$ | Total undiscounted cash flows HK\$ | Carrying amounts HK\$ |
|--------------------------------------|--|--|----------------------|----------------------|-------------------------|---|-----------------------------|
| 2016 | | | | | | | |
| Non-derivative instruments | | | | | | | |
| Non-interest bearing | - | 6,853,979 | - | - | - | 6,853,979 | 6,853,979 |
| Obligations under a finance lease | 5.90 | 152,112 | 152,112 | 101,408 | - | 405,632 | 374,534 |
| Bank borrowings at variable rate | 2.71 | 18,059,438 | 2,878,245 | 8,634,736 | 7,195,781 | 36,768,200 | 34,278,645 |
| | | <u>25,065,529</u> | <u>3,030,357</u> | <u>8,736,144</u> | <u>7,195,781</u> | <u>44,027,811</u> | <u>41,507,158</u> |

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2017, the aggregate amounts of these bank borrowings amounted to HK\$14,793,600 (2016: HK\$14,793,600).

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44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

For the purpose of managing liquidity risk, management reviewed the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

| | On demand or less than 1 year HK\$ | 1-2 years HK\$ | Total undiscounted cash flows HK\$ | Carrying amounts HK\$ |
|---|---|----------------------|---|-----------------------------|
| As at 31 March 2017 | | | | |
| Bank borrowings with a repayment on demand clause | 14,829,324 | - | 14,829,324 | 14,793,600 |
| As at 31 March 2016 | | | | |
| Bank borrowings with a repayment on demand clause | 15,181,192 | - | 15,181,192 | 14,793,600 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

44. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) *Fair value measurements of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The only financial instruments of the Group that are measured at fair value is the held-for-trading investments and is grouped into Level 1 whose fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets with carrying value of HK\$39,441,106 (2016: HK\$16,070,838).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

45. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

| | 2017 HK\$ | 2016 HK\$ |
|--|--------------------|--------------------|
| Non-current assets | | |
| Property, plant and equipment | 68,294 | 69,842 |
| Investments in subsidiaries | 60,076,212 | 40,976,854 |
| Interest in a joint venture | – | 2,277,239 |
| Amounts due from subsidiaries | 193,879,136 | 148,353,227 |
| Loan to a joint venture | – | 8,445,940 |
| Promissory notes receivables | 9,250,000 | 15,250,000 |
| Available-for-sale investment | – | – |
| Paintings | 3,921,217 | 3,921,217 |
| | <u>267,194,859</u> | <u>219,294,319</u> |
| Current assets | | |
| Held-for-trading investments | 723,035 | 502,108 |
| Promissory notes receivables | 12,000,000 | 6,000,000 |
| Other receivables, deposits and prepayment | 515,389 | 692,006 |
| Pledged bank deposits | 2,000,000 | 2,000,000 |
| Bank balances and cash | 2,155,719 | 64,844,130 |
| | <u>17,394,143</u> | <u>74,038,244</u> |
| Current liabilities | | |
| Other payables and accrued charges | 1,005,334 | 1,250,625 |
| Amounts due to subsidiaries | 1,986,422 | 1,698,395 |
| Amounts due to related companies | 808,365 | 812,570 |
| Bank borrowings | 2,438,014 | 2,371,942 |
| | <u>6,238,135</u> | <u>6,133,532</u> |
| Non-current liabilities | | |
| Provision for long service payments | 895,900 | 895,900 |
| Bank borrowings | 14,675,064 | 17,113,103 |
| | <u>15,570,964</u> | <u>18,009,003</u> |
| Net assets | <u>262,779,903</u> | <u>269,190,028</u> |
| Share capital | 312,144,213 | 310,764,913 |
| Reserves (note) | (49,364,310) | (41,574,885) |
| Total equity | <u>262,779,903</u> | <u>269,190,028</u> |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 June 2017 and are signed on its behalf by:

MARGARET CHIU
DIRECTOR

DEREK CHIU
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

45. FINANCIAL POSITION OF THE COMPANY (Continued)

Note: The movements in reserve of the Company are presented below.

| | Share option reserve HK\$ | Special reserve HK\$ | Accumulated losses HK\$ (Note) | Total HK\$ |
|--|------------------------------------|----------------------------|---|---------------------|
| At 1 April 2015 | 3,512,531 | 6,247,608 | (30,386,531) | (20,626,392) |
| Loss and total comprehensive expense for the year | – | – | (24,821,679) | (24,821,679) |
| Share-based payment expenses | 3,873,186 | – | – | 3,873,186 |
| Shares issued upon exercise of share options (note 32) | (872,334) | – | 872,334 | – |
| Lapsed of share options transferred to accumulated losses | (729,884) | – | 729,884 | – |
| Eliminate prior year loss against special reserve | – | (6,247,608) | 6,247,608 | – |
| At 31 March 2016 | 5,783,499 | – | (47,358,384) | (41,574,885) |
| Loss and total comprehensive expense for the year | – | – | (7,789,425) | (7,789,425) |
| Shares issued upon exercise of share options (note 32) | (713,013) | – | 713,013 | – |
| Lapsed of share options transferred to accumulated losses | (138,530) | – | 138,530 | – |
| At 31 March 2017 | 4,931,956 | – | (54,296,266) | (49,364,310) |

Note: Special reserve arose as a result of reduction of the Company's share capital in the year 2006/2007 as detailed in note 32(c). Special reserve has been utilised to eliminate accumulated losses of the Company. The total losses eliminated against the special reserve up to the end of the reporting period amounted to HK\$100,000,000 (2016: HK\$100,000,000).

List of Major Properties Held by the Group

| Location | Approximate gross floor area/site areas* (square feet) | Group's interest | Existing land use | Term of lease |
|---|--|------------------|-------------------|---------------|
| Leasehold land and buildings | | | | |
| Duplex No. 1 on 1/F and 2/F with Garden and Rear Open Yard of House 15 (Dynasty Villa 6) and car park space No. 202, Dynasty Heights, No. 2 Yin Ping Road, Kowloon, Hong Kong | 2,592 | 100.0% | Residential | Medium |
| Hotel property | | | | |
| East Bay, Cheung Chau, New Territories, Hong Kong 8443/9000 parts or shares of and in C.C.L. 1147 | 27,000* | 97.8% | Hotel | Medium |
| Investment properties | | | | |
| Wing On Street, Peng Chau, New Territories, Hong Kong 370/700 parts or shares of and in P.C.L. 415 | 5,230* | 100.0% | Cinema | Medium |
| Various agricultural lots in Survey District No. 4 in Lai Chi Kok, Kowloon, Hong Kong | 265,579* | 100.0% | Agricultural land | Medium |
| Various agricultural lots in DD118, Yuen Long, New Territories, Hong Kong | 149,846* | 100.0% | Agricultural land | Medium |

Five-Year Financial Summary

RESULTS

| | For the year ended 31 March | | | | 2017 HK\$'000 |
|--|-----------------------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | |
| Revenue | 34,033 | 39,318 | 52,166 | 48,919 | 46,677 |
| Profit (loss) before taxation | 12,013 | (4,349) | (68,017) | (10,550) | (4,775) |
| Income tax expenses | – | – | – | – | – |
| Profit (loss) for the year attributable to owners of the Company | 12,013 | (4,349) | (68,017) | (10,550) | (4,775) |

ASSETS AND LIABILITIES

| | At 31 March | | | | 2017 HK\$'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | |
| Total assets | 411,087 | 421,404 | 345,852 | 335,742 | 326,578 |
| Total liabilities | (72,162) | (65,609) | (57,380) | (52,062) | (47,439) |
| Equity attributable to owners of the Company | 338,925 | 355,795 | 288,472 | 283,680 | 279,139 |