Far East Hotels and Entertainment Limited

Stock Code : 37

2019

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)*
Amanda Chiu, B.A.

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

Independent Non-executive Directors
Ip Shing Hing, J.P.
Ng Wing Hang Patrick
Choy Wai Shek Raymond, MH, J.P.

COMPANY SECRETARY
Cheng Lucy

SOLICITORS
Woo Kwan Lee & Lo

INDEPENDENT AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES
Derek Chiu, B.A.
Cheng Lucy

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 54, 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/webservice/00037

Profile of Directors

BOARD OF DIRECTORS

Executive Directors

Mr. Derek Chiu, B.A. *(Managing Director and Chief Executive)*
Aged 53. He was appointed as a director of the Company (the "Director") 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 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. He is also the father of Mr. Alex Chiu, a non-executive Director and Ms. Amanda Chiu, an executive Director. Mr. Derek Chiu is sole director of Energy Overseas Ltd., a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong.

Ms. Amanda Chiu, B.A.
Aged 26. She was appointed as an executive Director with effect from 1 September 2015. She is also a director of a subsidiary of the Company. 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, a non-executive Director. She is a granddaughter of Madam Chiu Ju Ching Lan, a non-executive Director and a niece of Mr. Dick Tat Sang Chiu, a non-executive Director.

Non-Executive Directors

Madam Chiu Ju Ching Lan, J.P.
Aged 79. She was appointed as a Director 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 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 and Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company. She is also the grandmother of Mr. Alex Chiu, a non-executive Director and Ms. Amanda Chiu, an executive Director.

Mr. Dick Tat Sang Chiu, M.A.
Aged 68. He joined the Far East Group in 1974 and was appointed as a Director 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 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 Mr. Derek Chiu, an executive Director and also the Managing Director and Chief Executive of the Company. He is also an uncle of Mr. Alex Chiu, a non-executive Director and Ms. Amanda Chiu, an executive Director.

Mr. Alex Chiu, B.Sc.
Aged 28. He was appointed as an executive Director on 1 September 2015 and was re-designated as a non-executive Director with effect from 27 June 2019. 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 and a nephew of Mr. Dick Tat Sang Chiu, a non-executive Director.

Independent Non-Executive Directors

Mr. Ip Shing Hing, J.P.
Aged 63. Mr. Ip was appointed as an independent non-executive Director 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 of Hong Kong Limited (the "Stock Exchange").

Mr. Ng Wing Hang Patrick
Aged 66. Mr. Ng was appointed as an independent non-executive Director 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 70. Mr. Choy was appointed as an independent non-executive Director 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 has been appointed as an independent non-executive director of each of AB Builders Group Limited (stock code: 1615), a company listed on the Main Board of the Stock Exchange, on 17 August 2018 and WAC Holdings Limited (stock code: 8619), a company listed on GEM of the Stock Exchange, on 27 August 2018. 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, the 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, the Honor President of GMC Hong Kong Member Association and the Honor President of Hong Kong Conghua General Association.

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 2019 amounted to HK$9,595,470 (2018: profit of HK$7,435,898).

The directors of the Company do not recommend the payment of any dividend for the year (2018: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the financial year ended 31 March 2019, the Group recorded a total revenue of approximately HK$52.4 million (2018: HK$52.6 million) and gross profit of approximately HK$13.5 million (2018: HK$10.2 million), representing a steady revenue with an increase in gross profit of approximately 32.4%. However, the securities investment portfolio has recorded a decrease in value amounted to HK$8.1 million versus a gain of HK$12.0 million last year. The loss for the year attributable to the owners of the Company amounted to approximately HK$9.6 million (2018: profit of HK$7.4 million).

For the year under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK$20.6 million (2018: HK$21.4 million) with a profit contribution of approximately HK$2.3 million (2018: HK$2.8 million). The rooms department recorded an increase in revenue of approximately 4.9% while the food and beverage department recorded a decrease in revenue of approximately 14.7%. The decrease in food and beverage revenue under the period concerned is mainly affected by the drainage pipelines works carried out at the restaurant area.

For the year under review, the Group's serviced property in Beijing, the People's Republic of China (the "PRC") recorded a total revenue of approximately HK$30.1 million (2018: HK$28.9 million) with a profit contribution of approximately HK$10.2 million (2018: HK$8.4 million).

For securities investment and trading, the Group recorded a loss of approximately HK$7.3 million (2018: profit of approximately HK$12.8 million), which included a decrease of approximately HK$8.1 million (2018: increase of HK$12.0 million) in fair value of financial assets at fair value through profit or loss.

The Group recorded a net increase of approximately HK$9.3 million (2018: HK$7.4 million) in fair value of investment properties.

For the coming year, Cheung Chau Warwick Hotel has further program on renovating some of the common area and theming one of the hotel floors. More variety of packages and experience related tours will be developed in order to broaden our customer choice. As the serviced property in Beijing, we believe our management and services provide have been widely acknowledged and accepted by the local community. We have much confidence these properties can achieve high occupancy in the coming year.

As the future market condition may vary and is difficult to predict, the Group will closely monitor the situation and make any necessary adjustment accordingly. The Group will continue to explore any other business opportunity for further expansion.

Managing Director and Chief Executive's Statement

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had bank balances and cash of HK$14,139,430 (2018: HK$11,113,032), bank deposits with original maturity more than three months of HK$6,994,637 (2018: Nil) and pledged bank deposits of HK$2,118,000 (2018: HK$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 March 2019, there were outstanding bank loans and utilised overdraft facilities of HK$26,522,475 (2018: HK$29,526,936) and unutilised overdraft facilities of HK$2,000,000 (2018: HK$6,000,000) available to the Group. All of outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 31 March 2019, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds as at 31 March 2019 amounted to approximately HK$285.0 million (2018: HK$293.8 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 31 March 2019 was approximately 9.3% (2018: 10.0%).

CONTINGENT LIABILITIES

As at 31 March 2019, the Company had issued financial guarantees of HK$15,000,000 (2018: HK$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK$14,349,792 (2018: HK$14,645,664) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had capital commitments of HK$465,842 (2018: HK$449,000).

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group has approximately 70 employees (2018: 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. The Group also provides and arranges on-the-jobs training for the employees.

Managing Director and Chief Executive's Statement

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 31 March 2019, the Group's financial assets at fair value through profit or loss ("FVTPL"), with market value of approximately HK$38.5 million (2018: HK$47.2 million), represented investment portfolio of 16 equity securities listed on the Stock Exchange (31 March 2018: 13 equity securities listed on the Stock Exchange). The Board considers that the investments with market value as at 31 March 2019 accounting for more than 5% of the Group's total assets as at 31 March 2019 as significant investments. Hence, as at 31 March 2019, there is no significant financial assets at FVTPL (2018: one).

Details of the significant financial assets at FVTPL were set out as follows:

Name of securities	As at 31 March 2019			For the year ended 31 March 2019		As at 31 March 2018		
	Fair value	Percentage to the total financial assets at FVTPL	Percentage to the total assets of the Group	Realised gain/(loss)	Unrealised gain/(loss)	Fair value	Percentage to the total financial assets at FVTPL	Percentage to the total assets of the Group
	HK$'000			HK$'000	HK$'000	HK$'000		
Tencent Holdings Limited ("Tencent")	10,830	28.16%	3.27%	(8,421)	734	24,576	52.05%	7.22%

Tencent is an investment holding company. Tencent and its subsidiaries (collectively, the "Tencent Group") are principally engaged in the provision of value-added services and online advertising services to users in the PRC.

Looking forward, the Board believes that the future performance of the listed investments held by the Group will be volatile and substantially affected by overall environment, equity market conditions, investor sentiment and the business performance and development of the investee companies.

Save as the above, during the year ended 31 March 2019, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

APPRECIATION

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, 27 June 2019

Directors' Report

The directors of the Company (the "Directors") present their Directors' report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 (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 and associates are set out in notes 15 and 16 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 41(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 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, the Group is committed to maintaining the long-term sustainability of the environment and devoted to building an environmentally friendly corporation. The Group implements policies and practices to achieve resources conservation, energy saving and waste reduction, so as to minimise its impact on the environment. A detailed 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 report and contained in the "Environmental, Social and Governance Report" on pages 19 to 38 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.

Directors' Report

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 52 of this annual report.

The Directors do not recommend the payment of a dividend in respect of the Year (2018: Nil).

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 consolidated financial statements, is set out on page 134 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 55 and note 43 to the consolidated financial statements respectively.

There were no distributable reserves of the Company as at 31 March 2019 (2018: Nil), calculated under sections 291, 297 and 299 of the Companies 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 2019 are set out on page 133 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 and traded on 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

During the Year, 3,000,000 Shares have been issued at a consideration of HK$746,000 by virtue of the exercise of options under the Company's share option scheme adopted on 1 June 2007. Details of the share capital of the Company are set out in note 31 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 Companies 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. Amanda Chiu
Ms. Margaret Chiu *(Resigned on 12 November 2018)*

Non-executive Directors

Madam Chiu Ju Ching Lan
Mr. Dick Tat Sang Chiu
Mr. Alex Chiu *(Re-designated from executive Director to non-executive Director on 27 June 2019)*

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 (resigned on 12 November 2018), Madam Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu, Mr. Alex Chiu and Ms. Amanda 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. 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, Madam Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu and Mr. Alex Chiu will retire by rotation at the annual general meeting (the "AGM"). Except for Mr. Dick Tat Sang Chiu who does not offer himself for re-election, all retiring Directors, 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, 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) to be notified to the Company and the Stock Exchange 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

	Number of Shares held				
Name of Directors/ chief executive	Personal interests (held as beneficial owner)	Corporate interests (held as a controlled corporation)	Number of underlying Shares held	Total	Approximate percentage of issued Shares
Mr. Derek Chiu	40,765,576	78,430,299 *(Note 1)*	18,170,000	137,365,875	22.49%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.36%
Mr. Dick Tat Sang Chiu	–	22,277,033 *(Note 2)*	–	22,277,033	3.65%
Mr. Alex Chiu	–	–	8,100,000	8,100,000	1.33%
Ms. Amanda Chiu	–	–	10,100,000	10,100,000	1.65%
Mr. Choy Wai Shek Raymond	3,000,000	–	2,000,000	5,000,000	0.82%
Mr. Ip Shing Hing	–	–	5,000,000	5,000,000	0.82%
Mr. Ng Wing Hang Patrick	–	–	5,000,000	5,000,000	0.82%

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 underlying Shares were comprised in the share options granted to the Directors. Please refer to section (b) "Shares Options of the Company" below for further details.

(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 Scheme and New Scheme that complied with the Listing Rules are set out in note 38 to the consolidated financial statements. Movements of share options under the Old Scheme and New Scheme held by the Directors and employees are as follows:

	Number of underlying Shares comprised in share options								
Grantee	Held at 1 April 2018	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	Held at 31 March 2019	Exercise Price per Share HK$	Grant date	Exercisable Period From	To
Executive Directors									
Mr. Derek Chiu	6,000,000	–	–	–	6,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	6,070,000	–	–	–	6,070,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	–	6,100,000	–	–	6,100,000	0.3400	18/03/2019	18/03/2019	17/03/2029
Ms. Margaret Chiu *(resigned on 12 November 2018)*	2,000,000	–	–	(2,000,000)	–	0.2320	06/02/2014	06/02/2014	05/02/2024
Mr. Alex Chiu	2,000,000	–	–	–	2,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	–	4,100,000	–	–	4,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
	–	2,000,000	–	–	2,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
Ms. Amanda Chiu	4,000,000	–	–	–	4,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	–	2,100,000	–	–	2,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
	–	4,000,000	–	–	4,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
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
	1,000,000	–	–	–	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
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
	1,000,000	–	–	–	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
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
	1,000,000	–	–	–	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
Aggregate for employees	2,300,000	–	–	–	2,300,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	39,370,000	18,300,000	(3,000,000)	(2,000,000)	52,670,000				

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

Share options comprising a total of 6,200,000 underlying Shares (the "Options") and 12,100,000 Options under the New Scheme were granted to certain Directors on 6 August 2018 and 18 March 2019, respectively. The closing prices of the Shares immediately before the dates on which the Options were granted were HK$0.3450 and HK$0.3400, respectively.

During the Year, a share options holder under the Old Scheme exercised part of his Options and subscribed for 3,000,000 Shares at the exercise prices of HK$0.2820 and HK$0.2320 on 9 July 2018. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK$0.3550.

Save as disclosed above, no share options were exercised or cancelled or lapsed during the Year.

As at the date of this report, the Company has outstanding share options comprising 52,670,000 underlying shares under the Old Scheme and the New Scheme, which representing approximately 8.62% of the Company's shares in issue as at that date.

Save as disclosed above, as at 31 March 2019, none of the Directors nor the Company's chief executive, 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) to be notified to the Company and the Stock Exchange 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 its holding company or any of its subsidiaries or fellow 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 share option schemes 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 close 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 the late 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 in relation to the Group's business in which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director or an entity connected with 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 proposed for re-election at the forthcoming AGM 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).

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. Such provision were in force during the year ended 31 March 2019 and remained in force as of the date of this report.

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 2019, 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 total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company:

Long position in the Shares

Name of shareholder	Capacity/Nature of Interest	Number of issued Shares held	Percentage of issued Shares
Mr. Deacon Te Ken Chiu *(deceased) (Note1)*	Beneficial owner and interest in controlled corporations/Personal and corporate interest	113,726,476	18.62%
Achiemax Limited *(Note 1)*	Beneficial owner/Personal interest	72,182,400	11.82%
Energy Overseas Ltd. *(Note 2)*	Beneficial owner/Personal interest	78,430,299	12.84%
Mr. Chan Tai Keung David	Beneficial owner/Personal interest	41,768,000	6.84%

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 2019, 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 total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company.

CONNECTED TRANSACTION

The related party transactions as disclosed in note 37 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.

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.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$37,000.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases made by the Group for its largest supplier and the five largest suppliers of the Group accounted for approximately 23% and 51% 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 71% 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) had any beneficial interest in the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 39 to 46 of this 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, risk management and internal control systems. 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).

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 38 to the consolidated financial statements.

DIVIDEND POLICY

The Company formalised and adopted a dividend policy (the "Dividend Policy") on 29 November 2018. In deciding on whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(f) other factors that the Board deems relevant.

Directors' Report

The declaration and payment of dividends shall also be subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Company's articles of association. If the Board thinks fit it may from time to time make a recommendation as to the amount (if any) which it considers ought to be paid by way of dividend and the Company may thereafter declare the amount of the dividend to be paid but such dividend shall not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders, or any class of Shareholders such interim dividends as appear to the Board to be justified by the profits of the Company.

The Board endeavours to strike a balance between the Shareholders' interests and prudent capital management with a sustainable dividend policy. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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. Following a specific enquiry made by the Company with each Director, the Directors have confirmed that they had fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information during the Year and up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Choy Wai Shek Raymond has been appointed as an independent non-executive director of each of AB Builders Group Limited (stock code: 1615), a company listed on the Main Board of the Stock Exchange, on 17 August 2018 and WAC Holdings Limited (stock code: 8619), a company listed on GEM of the Stock Exchange on 27 August 2018.

Ms. Margaret Chiu has resigned as an executive Director with effect from 12 November 2018.

Mr. Alex Chiu has been re-designated from an executive Director to a non-executive Director on 27 June 2019.

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, 27 June 2019

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the third year for Far East Hotels and Entertainment Limited, along with our subsidiaries (the "Group") to disclose the management approach, performance and achievements of our key operations on environmental, social and governance ("ESG") aspects. This ESG Report (the "Report") is prepared in accordance with the "Comply or Explain" provisions as set out by the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix 27 of the Main Board Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Group is committed to communicating the vision, policies, operating practices, performances and plans regarding material social and environmental issues. Our Board of Directors (the "Board") are responsible for formulating strategies and reporting on ESG and are dedicated to updating and monitoring our sustainability performance through publishing ESG Report on an annual basis. All information disclosed is based on existing policies or practices, and official documents or reports in an accurate and transparent manner.

This Report covers the Group's hotel operations and management business of the Cheung Chau Warwick Hotel (the "Hotel") in Cheung Chau, Hong Kong. Due to its operational simplicity, our operations and management business of holiday flats are excluded in this Report. Our serviced property leasing segment in the People's Republic of China, Hong Kong and overseas property investment segment, securities investment and trading segment, as well as head office operations are also excluded from the reporting scope in view of insignificance in terms of socio-economic and environmental impacts. Unless otherwise specified, the content of this Report covers the period from 1 April 2018 to 31 March 2019 (the "Reporting Period").

We welcome your feedback on this Report and the Group's ESG performance. Please share your thoughts with us by post to our registered and principal office: Suite 1902, 19th Floor, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong, or by phone on (852) 2744 9110.

Environmental, Social and Governance Report

ABOUT OUR HOTEL

As the only resort hotel located in Cheung Chau, the Hotel has been providing delightful guest services since its opening in 1980. Equipped with 65 well-embellished guest rooms on the East Bay, our beachfront hotel enjoys the locational advantage with a less than 5-minute walking distance from the ferry pier, as well as the widely acclaimed Tung Wan Beach. Most of our guest rooms come with a private balcony that overlooks the panoramic and serene sea view of Hong Kong island south. To savour an exquisite culinary experience, the Chinese Bayview Restaurant on the ground floor of the Hotel is frequented by local residents for conventional Chinese dim sum and local Cantonese dishes.

Our Commitment to Sustainability

The Board acknowledges its overall responsibility to oversee the Group's ESG strategies. Hence, we are highly committed to evaluating, determining and managing sustainability risks and opportunities by observing the regulatory requirements and industry practices as a means to maintain economic, environmental and social value for our stakeholders.

We understand the operation of hotel business consumes significant amount of natural resources, which might not be compatible with the principles of sustainability. It has therefore become a challenge and an opportunity for us to bridge such divide. We believe to operate a hotel sustainably requires a long-term mindset in managing risks while embracing opportunities, as well as enabling a sense of belonging with our stakeholders. We perceive and align the principles of sustainability by permeating four major aspects throughout our governance and management values, including customer service quality, community interaction, health and well-being, and last but not least environmental stewardship.

As a predominantly rural island that was once a thriving fishing village, Cheung Chau is well-loved by nature lovers and tourists for the natural landscapes and coastal features with a unique blend of historical culture and tradition. Being a service provider in the hospitality and tourism industry on the island, the Group is committed to causing minimal environmental disturbance under our operation. Attention to detail and the quest for quality will help guarantee guests a remarkable and enjoyable stay in the Hotel. We also aspire to construct a harmonious society through our operation. By building connection, supporting and collaborating closely with the local community, it allows the preservation of traditional heritage, maintenance of social coherence while adding commercial value to the island along the way.

Environmental, Social and Governance Report

ENGAGING OUR STAKEHOLDERS

The Hotel is devoted to communicating and working with different stakeholders to drive positive ESG improvements. Through proactive and regular stakeholder engagement, we hope to capture their views and interests towards our sustainability performance and foster a long-term healthy relationship among us.

During the Reporting Period, we identified and engaged various groups of key stakeholders — including shareholders and investors, guests, employees, suppliers, local community, and regulatory bodies. We also established transparent and responsive engagement channels to ensure the quality of our communication and interaction.

Stakeholder Groups	Engagement Channels
Shareholders/Investors	• Annual General Meetings • Annual and Interim Reports • Correspondences
Employees	• Development and Training • Performance Appraisals • Regular Meetings • Notice Boards • Correspondences
Hotel Guests	• Online Customer Feedback • Social Media Platforms • On-site Customer Care and Services
Suppliers	• Tender Notices for Procurement • Correspondences
Local Community	• Social and Cultural Events • Promotional Materials
Regulatory Bodies	• Compliance Reports • Correspondences

OUR GUESTS

The Hotel takes pride in its unique geographical location. We differentiate ourselves by creating a memorable experience for our guests, enabling them to experience their stay as a "local Cheung Chau-er". To accomplish this mission, we strive to achieve operational excellence by ensuring customer service quality and enhancing guest satisfaction by forging communication and continuously integrating their feedback into our improvement initiatives.

Ensuring Service Quality

Having a customer-oriented business nature, our brand reputation is highly dependent on our guests' interests and preferences, which is directly linked to the services we provide. With a perceived trend of digitalisation in the travel industry, we have partnered with Online Travel Agencies (the "OTA") and utilised online platform for the sales and marketing for the Hotel. In order to fulfil and maintain customer expectations, we are dedicated to improving our hospitality services by taking reference from our score rating on OTA. Guests' comments are subsequently incorporated into the agenda of the Hotel's improvement initiatives after regular feedback review.

Beyond establishing accounts and routinely posting updates of latest events and special offers on social media platforms such as "Instagram" and "Facebook", the Hotel has been seeking alternative means to engage and enlist potential customers in a common cause — promoting the brand of the Hotel through social check-ins. It is on the Group's agenda to review the prospect of increasing the number of themed rooms, as well as renovating, decorating and converting the Hotel's roof into an event destination. By diversifying our services and adding an unconventional touch of cultural elements, we hope to foster deeper connection with our guests, and transform them from passive patrons to active advocates.

In the pursuit of service excellence, we continue to adopt the standard operating procedures ("SOP") as a guiding handbook in defining the responsibilities of our employees at respective units, including the front desk department, the housekeeping department, the sales and marketing department, and the food and beverage department. Inspections are carried out randomly to examine their performances and regular team meetings are hosted by corresponding managers to review and clarify the areas that require improvements. When necessary, follow-up trainings are conducted.

To foster continuous refinement in our employees' capability, the Hotel has established a performance review system. Employees are assessed biannually by respective department managers and the performance review results are subject to approval from the hotel manager. Their personal strengths and the areas needed for improvement are recorded, which serve as database when considering remuneration and promotion in the future.

Prioritising Guests' Interests

It is our priority to ensure the health and safety of our guests. We comply with the requirements relating to design, structure, fire precautions, health, sanitation and safety prescribed by the Buildings Ordinance (Cap. 123). Precautions are taken against fire or other unlikely incidents to protect the welfare and property of our guests in accordance with the Fire Services Ordinance (Cap. 95). For example, to safeguard public health, maintain indoor air quality and prevent the cause of fires, smoking is prohibited at all indoor areas in compliance with the Smoking (Public Health) Ordinance (Cap. 371). Relevant labels and stickers are also placed at noticeable areas to remind guests about the potential health and safety risks.

To perfect our operations, we endeavour to understand the evolving needs and expectations of our guests, as well as to bring in as much convenience as possible. As our hotel guests are represented by diversified national background, we introduced "WeChat Pay" and "AliPay" as alternative payment methods in the last Reporting Period. During the Reporting Period, of all walk-in bill payment methods, one-fifth opted to use "WeChat Pay" and "AliPay".

Hong Kong is well-acclaimed as the city where "East meets West". The Hotel always embraces this unique culture mix and caters for different guests' preferences by featuring such fusion in our cuisine. Our Chinese Bayview Restaurant serves Cantonese dishes, local seafood and traditional dim sum while western delicacies are available at the Terrace Café. We ensure food safety by maintaining consistent and rigorous hygiene standard and food quality. Kitchen staff members are required to strictly follow the instructions outlined in the SOP in preparing and serving food and beverages. Inspection on the quality of all incoming food and beverages sources are also conducted.

The Hotel endeavours to prioritise guests' needs and satisfy their requests within our operational control. For example, opinions are incorporated into our retrofitting initiatives. Based on guests' feedback, we upgraded the heating system during this Reporting Period to enhance the comfort level in the guest rooms.

As we pride ourselves on serving guests with warmth and hospitality, it is also understandable that different guests might vary in their expectations towards the Hotel. Nevertheless, we firmly believe that excellence is attained via constant review and refinement. Thus, both positive and negative comments from guests are highly valued.

In the last Reporting Period, we discussed the possibility of installing a barrier-free elevator to enhance accessibility to the Hotel. During the Reporting Period, the management agreed on the benefits and needs for an installation and engaged with local district councillors regarding the proposed new facility. While the project is still under negotiation, we are hopeful to welcome more guests, and cater to all physical capabilities in the near future.

Safeguarding Privacy and Personal Information

The Hotel attaches great importance to the protection of guests' privacy and personal information by implementing strict control over the security of information involved in our hotel business. In practice, the Group strictly follows the Personal Data (Privacy) Ordinance in Hong Kong relating to the collection, retention, handling, disclosure and use of personal data.

Relevant documents containing personal information are stored and accessible only by authorised employees. All documents will be properly destroyed and shredded after 7 years of storage whereas the use of personal data in direct marketing or communication without prior consent from guests is strictly prohibited.

To monitor and secure all information regarding the use of computers, internal email system and the Internet, all employees who are given access to the IT system are required to set up personalised passwords. In order to minimise information technology hacking risks, a virus scan is to be mandatorily conducted by responsible employees prior to any email attachment downloads or transfers from external sources.

Environmental, Social and Governance Report

During the Reporting Period, the Group received no substantial complaints regarding breaches of customer privacy.

Retrofitting and Refurbishment

In the operation of our hotel business, we ensure the adequacy and suitability in the use of apparatus and equipment in accordance with the Hotel and Guesthouse Accommodation Ordinance (Cap. 349). We hope to ameliorate guest experience through undergoing hotel revamp during the Reporting Period.

In our renovation project, we aspire to uphold sustainability by choosing products that are resource-efficient and long-lasting. In sourcing materials, the entire product life cycle is considered, and the materials must meet our environmental, health and safety requirements. In addition, we pay close attention to the design specifications, and product quality and standards by routinely examining the fittings and furnishings, when applicable.

Located on the beachfront, the facilities at the Chinese Bayview Restaurant are constantly exposed to Mother Nature, facing product risk of a shorter life span. During the Reporting Period, we replaced all the ceiling fans with rust-proof stainless-steel models. In our hotel outdoor painting project, higher quality latex paints with anti-mould property were used, hence greater durability. For the wellbeing and comfort of our guests, room and toilet amenities were also upgraded.

During the Reporting Period, one of our major revamp projects involved the implementation of the underground water pipeline replacement project for more efficient use of water resources. Other attempts in achieving energy efficiency included LED lights installation. For more details on how we improve our water and energy resources, please refer to section "Conserving Water Resources" and "Minimising Energy Usage".

Governing Supply Chain

The Hotel is aware that the purchasing choices we make do not only affect the experience we create for our guests, but also directly impact on the environment and society as a whole. Therefore, our aim is to make thoughtful and responsible choices by working closely with our suppliers.

During the Reporting Period we continued to review at least three suppliers in identifying and sourcing services and products that feature greater cost and energy-efficiency, as well as durability and reliability. For large-scale project such as retrofitting projects aforementioned previously, six or more suppliers were taken reference in our procurement procedures and the purchases had to be approved by the management.

In purchasing perishable products, we incorporate local sourcing into our procurement strategies. Currently, we source seafood from local Cheung Chau fish stockers. It does not only guarantee the freshness but also carries an implication of shorter travel distance for delivery, hence less fuel use and reduced carbon footprint.

For exterior refit, we collaborate closely with our design and procurement partners, as well as contractors to ensure quality and sound safety management of the project. For hardware replacement, elements such as cost, energy efficiency and durability are taken into consideration. We also ensure our contractors are aware of potential health and safety as well as environmental risks by carrying out routine workplace inspections.

OUR COMMUNITY

The success of our hotel business is inextricably linked to the sustainability of the community where we operate. The island has provided the resources, infrastructure and markets that our business relies on. Over decades of operation, we have formed a strong bond with the local Cheung Chau community. While our business would not have otherwise thrived without their support, it is essential that they also benefit from having us here. It is our aim to support the development of our community by leveraging the strengths in our operations. Through forging community partnerships, we hope to promote cohesiveness and contribute positive shared values.

Promoting Local Cultural Heritage

The richness of Taoist culture in Cheung Chau has largely manifested itself in the crowd-pulling Cheung Chau Bun Festival, which was inscribed onto the Third National List of Intangible Cultural Heritage of China in 2011. The festival is celebrated annually with a series of weeklong activities, including traditional ritual events, the "Piu Sik", and the Bun Scrambling Competition. The island has certainly lived up to its charm by its ability to draw significant attention among tourists, both internationally and locally.

As the Hotel perceives an outstanding tourism demand presented by the Greater Bay Area (the "GBA"), we have subsequently seized the business opportunities by collaborating with travel agencies in the GBA. We offer package deals to guests, which include hotel accommodation that comes with a guided tour led by our local staff. During the Reporting Period, we collaborated with two travel agencies and coordinated respective guided excursions to the island's tourist attractions, for example, the Cheung Po Tsai Cave and Pak Tai Temple. We hope our guests not only enjoy a cosy leisure retreat on the island, but also develop a sense of cultural appreciation through gaining perspectives on Cheung Chau's customs and heritage.

We continue to provide tangible and intangible support to the community groups whom we have established social ties with. The Hotel continues to serve as the venue provider in hosting large-scale banquets or community events. In terms of tangible support, during the Reporting Period, the Hotel made donations of approximately HK$37,000 to various social and cultural events, including the Cheung Chau New Year Carnival, Pak Tai Festival, and the Cheung Chau Bun Festival.

In addition to social and cultural activities, we hope to bring the most authentic local experience to our guests through food. Operating the Chinese Bayview Restaurant, we perceive a huge demand for snake dishes among the locals, which is lauded in Chinese culture as a Cantonese delicacy for its alleged medicinal benefits and nutritional value. As a result, during the Reporting Period the Hotel made snake banquets available for reservation all year round. During the weeklong Cheung Chau Bun Festival which coincides with the Buddha's Birthday, the local community would organise a series of thanksgiving rituals, including practising vegetarianism by the entire island on three days out of the whole week. On the one hand, the Hotel would adhere to this tradition; on the other hand, we would consider our guests' different needs and preferences. As a result, the Hotel has made both meat and vegetarian meals available throughout the week.

Environmental, Social and Governance Report

Facilitating Local Replantation Projects

In September 2018, Hong Kong was struck by Typhoon Mangkhut. The tropical cyclone caused devastating floods in the low-lying coastal areas such as Cheung Chau. Among the damages, the Kwan Kwun Pavilion, which is 15-minute walk from the Hotel, was severely crashed. A great many trees in the temple were uprooted, including the Sakura trees that used to draw visiting crowds when they blossom during spring every year.

As we have been operating our hotel business in Cheung Chau for many years, we have also formed close relationship with the neighbouring community and perceived our obligation to help restore the landscape of the pavilion as a committed community member. Therefore, we engaged in the replantation process by assisting to source Sakura trees during the Reporting Period, and we anticipate the charm of Sakura to flourish once again in the near future.

Supporting Local Sports Development

In the last Reporting Period, we communicated our commitment through various means in promoting water sports in Cheung Chau, where the Olympic gold-medal winning windsurfer Lee Lai Shan received her training. During the Reporting Period, we continued to collaborate with the Cheung Chau Windsurfing Centre and local schools in organising summer water sports training camps as part of our social sustainability approach. In our marketing effort to advertise one of the many unique features of the island, surfboards were placed at our lobby for photography purpose during the Reporting Period.

In addition to water sports, we supported the Cheung Chau Sports Association in the coordination of marathon and triathlon on the island. Perceiving opportunities exhibited in the GBA that might serve to stimulate business growth, moving forward the Hotel will forge connections with relevant sports associations and seek possible partnership opportunities.

Joining Force in Local Animal Welfare Protection

Our philosophy for sustainability in community is not limited to being socially responsible for the people but also the animals who reside in the surrounding neighbourhood. We are highly against any form of cruelty to animals of all kinds.

The Hotel continues to work with the Cheung Chau Independent Animal Volunteers Group in organising fundraising events at our hotel area. By showing support to animal welfare education, we hope to express the Hotel's stance against animal cruelty and help raise community awareness regarding the characteristics of animals and their respective rights.

Retaining Local Talent

As one of the most densely populated outlying Islands in Hong Kong, Cheung Chau is the home of more than twenty thousand people. It presents a large supply of labour force that comes with significant demand for job opportunities. Our operation directly creates employment opportunities for 31 local residents and indirectly reduces carbon footprint implied by shortened travel distance.

We are devoted to providing a fair and equal environment for our employees along with attractive remuneration package and training opportunities. For more details on how we support our employees, please refer to section "Our People".

OUR PEOPLE

Investing in our people is perhaps the most vital investment the Hotel can make for our long-term sustainable business operation. The brand reputation of the Hotel rests upon the quality of our employees as they shape the everyday experiences of our guests. Therefore, we put significant emphasis on the maintenance of an inclusive, fulfilling and safe working environment, as well as on the career and personal development of our employees so they can flourish together with the Group. Our commitment to be a caring and equal opportunity employer is reflected in our employment policies and engagement initiatives as below.

Promoting Employee Well-being

We are committed to creating an inclusive workplace that ensures equal opportunity to all employees and applicants regardless of gender, age, nationality, religion, sexual orientation, disability, or other aspects of diversity. Such practices are governed by the Employment Ordinance (Cap. 57) and stipulated in the Employee Handbook.

The Hotel adopts a competence-based management approach in the course of recruitment, promotion and training. The biannual performance review (previously mentioned in the sub-section "Ensuring Service Quality") results are utilised as solid evidence when such considerations are required. We believe the review system that comes along with potential pay rise serves as attractive incentive to optimise the capabilities of our employees.

As we adhere to the Minimum Wage Ordinance (Cap. 608), all employment rights and benefits are commensurate with local rules and legal requirements, including paid leave, special leave, insurances and overtime work payment. We ensure their acknowledgement by detailing such rights and benefits on the Employee Handbook, which are distributed to our employees upon employment. On top of contributing to the Mandatory Provident Fund (the "MPF"), a performance bonus scheme is also set up as a recognition to reward competent and dedicated staff for their contribution to the Hotel.

Enhancing Work Safety

It is our priority to ensure the health and safety of not only guests but our employees in the running of the Hotel. We ensure our operations are in compliance with the applicable local laws and regulations, such as the Occupational Safety and Health Ordinance (Cap. 509).

The Hotel has also established internal policy on occupational health and safety, which is communicated through the Employee Handbook and the SOP. Practical guidelines and procedural instructions are detailed in respective sections for our employees' reference. For example, the first chapter of the Housekeeping SOP covers the standardised safety principles and practices to prevent potential occupational injuries or hazards. All employees are required to fulfil job duties in a manner that is free of violence, drugs, alcohol and other restricted substances. Detailed in the SOP, we also expect them to report safety hazards, including unsafe equipment, practices or conditions when identified.

Occupational health and safety-related tools, such as our equipment, first-aid boxes, fire safety system and CCTV system are regularly maintained. After inspecting the existing functionalities and safety conditions, we updated all first-aid boxes during the Reporting Period. Furthermore, posters are displayed at noticeable areas to remind employees to handle their job duties in a healthy and safe manner.

To enhance awareness and alertness to react in times of accidents, safety drills are conducted regularly. For example, fire safety drills were carried out during the Reporting Period, at which evacuation routes, proper usage of fire extinguishers, as well as relevant safety tools were displayed.

During the Reporting Period, there was one recorded accident from one of our kitchen staff who reported a finger injury at work. To further reduce the incidence of injuries, we are strongly committed to increasing training and to rolling-out related programmes. Moving forward, the Hotel seeks the possibility to hire professional first-aid instructors to offer training courses to our employees.

Emphasizing Training and Development

Enhancing relevant skill sets of our employees and broadening their horizons are some of our training and development goals. We believe that as we invest in the potential of our employees, they will flourish, remain dedicated and loyal, and deliver outstanding quality of services, which in turn serves the interests of the Hotel.

It is our policy to achieve employee empowerment through adequate training and development opportunities. Service quality standards, including work attitude, appearance, etiquette, business knowledge, operational skills, collaborative capacity and discipline, are outlined for reference in the SOP. We also organise orientation briefings for all new hires to understand the Hotel's work culture and environment.

During the Reporting Period, a number of in-house training sessions on guest relations and hospitality were also arranged and conducted.

Upholding Business Ethics and Integrity

Our values as a hotel underpin our high standards of ethical conduct. We respect human rights, aspire to embrace diversity and stand firm against corruption. To achieve this, we strictly comply with the Prevention of Bribery Ordinance (Cap. 210). Our Employee Handbook also outlines our commitment and expectations on our employees' conduct, particularly on anti-bribery, fair competition and equal opportunity. Acceptance of benefits from any guests or business partners or committing frauds in pursuance of personal interests is highly intolerable. We also require our employees to maintain the confidentiality of proprietary information entrusted by the Hotel, our customers and suppliers. Such information includes intellectual property.

On the other hand, we place great attention on the protection of human rights by preventing any form of child labour and forced labour. By adhering to the Employment of Young Persons (Industry) Regulations, our hiring personnel will verify the age and background of job applicants during the recruitment process by proper examination of their identity documents. Employment of anyone below the minimum statutory age and forced labour of any kind are strictly prohibited. Immediate cessation during the recruitment procedure will be called upon when the candidate fails to meet our employment requirements, or when a false identity is provided.

During the Reporting Period, there were no cases of non-compliance with laws and regulations related to employment, employee health and safety, child and forced labour and corruption.

OUR ENVIRONMENT

The hospitality and tourism industry is inherently resource intensive. However, the Hotel believes that in creating a remarkable customer experience, it is not about wasteful overabundance, but having the ability to consistently communicate our brand to stakeholders. We strive to understand and manage environmental risks and impacts with the goal to create value by improving our environmental performance. During the Reporting Period, we established initiatives and embarked on revamp project to step up our efforts in pursuing environmental sustainability.

Minimising Energy Usage

We anticipated that the Hotel would experience an increased electricity consumption as we upgraded the power generation mode from the original two-wire single-phase circuit to the higher-performance three-wire three-phase circuit during the Reporting Period. Whilst purchased electricity continues to constitute the majority of the Hotel's energy consumption, we have nevertheless taken actions to create positive environmental and economic impacts through minimising energy usage.

Given limited land space, Cheung Chau adopts a no-car policy where only small specially designed mini-fire engines, ambulances and police cars are allowed for transportation on the island. To transport goods, the Hotel follows the rules and operates a mini tractor which we regularly check to ensure its functionality and environmental performance. As we strive for energy efficiency, the Hotel replaced the mini tractor with a more energy efficient model during the Reporting Period. As a result of the replacement, it has successfully brought down naphtha consumption by 49.5%.

During the Reporting Period, we continued to suspend food and beverage services on Wednesdays to minimise energy consumption and relevant GHG emissions from kitchen and restaurant usage, including steamers, cookers, lighting and air-conditioning system. On other days of the week, our Chinese Bayview Restaurant makes use of natural sea breeze to substitute the reliance on air-conditioners for improved indoor air quality and lessened energy usage. For the rest of the public areas, air-conditioning system is switched off at night. The Group is currently reviewing the possibility to replace the entire air-conditioning system with a more energy and cost-efficient model. Consideration has been given on the installation of a heat recovery ventilator that reduces the Hotel's heating and cooling demands.

In the last Reporting Period, we disclosed our approach to enhance energy efficiency by upgrading malfunctioned fluorescent to LED lamps. During the Reporting Period, the Hotel increased the coverage by replacing spotlights to less energy-consuming LED lights at all our guest rooms. We anticipate the transition will further bring down energy consumption and we look forward to further expanding the scope in the future.

Conserving Water Resources

Water is a precious resource we strive to protect. We seek efficient use of water within our operations among our employees, as well as guests.

After a pipe inspection followed by a comprehensive radar check conducted by an external professional engineering consultancy team in the last Reporting Period, several cracks and leakage were detected along the aged water pipe system. It was diagnosed as a natural deterioration, resulted from decades of soil erosion by the highly acidic rainwater surface runoff to the nearby Tung Wan Beach.

Environmental, Social and Governance Report

Therefore, the Group's management reached an agreement to undertake an underground water pipeline system replacement project and the project kick-started during the Reporting Period. To prevent water wastage and subsequent soil erosion as well as prolonging the life span of our new water pipes, we opted for materials that are less prone to acidic soil erosion, with greater durability in withstanding water pressure.

During the Reporting Period, our hotel swimming pool was temporarily closed for maintenance. As we hope to balance the cost and benefit of maintaining the swimming pool, it remains under the Group's evaluation of its operational needs given our proximity to the Tung Wan Beach.

Our other water resources management initiatives in this Reporting Period included putting up signs in guest rooms and public toilets to remind our guests that every drop of water count. Instead of changing the linen every day, we ask our guests to notify us if they wish and require a change.

Monitoring Air Emissions

Curbing air and carbon emissions remains a climatic challenge faced by all global citizens. The Hotel applies stringent control on exhaust gas and GHG emissions by complying with the Air Pollution Control Ordinance (Cap. 311).

The Hotel's exhaust gas emissions originate from cooking activities and operation of our mini tractor. As we try to tackle emissions to an acceptable pollutant level, all cooking fumes and exhaust gas from our kitchen will pass through a filtering hydrovent before releasing to the outer air. We have also disclosed the adoption of a more energy-efficient mini tractor, alongside with several energy saving initiatives that minimises GHG emissions, which can be referred in the "Minimising Energy Usage" section. By carrying out mitigation measures, we believe that our emissions are under control.

In this Reporting Period, indirect emissions from electricity consumption continued to take up the majority (96%) of our GHG emissions. The remaining 3% was generated by direct fossil fuel combustion from the kitchen and our mini tractor, and 1% from electricity used for freshwater processing. The quantification methodology is referenced from the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010" and the emission factor is based on the latest figure provided by the China Light and Power Company Limited. We will continue to disclose our carbon footprint through ESG reporting on a yearly basis in a transparent manner.

Handling Waste

In the Hotel, waste is either recycled or collected for disposal at landfills by appointed waste collectors. During the Reporting Period, the majority of waste generated is non-hazardous in nature, including general domestic and food waste. We strictly adhere to the Waste Disposal Ordinance (Cap. 354) and ensure proper handling by our professional waste contractor.

Since the Hotel's waste disposal requires shipping from the island's collection point to respective landfills, the process is resource-consuming and energy-exhaustive in general. As we strive to alleviate the burden imposed on Hong Kong's landfill capacity as well as minimising carbon footprint via shipping, avoiding waste at source remains our main waste reduction strategy. It is our approach to segregate, reduce, reuse and recycle waste whenever possible.

Through the continuous hard work of the housekeeping team, our employees perform segregation of leftover shower gel, which will be reused as hand soap. For unused soap bars and other bathroom amenities, they will be collected for future use. As for leftover toilet paper rolls, they are repurposed for guest use in our public toilets. For bottled and canned amenities in our guest rooms, collection bins are placed outside the Hotel in noticeable public areas. The collected waste will be transported to the island's collection point and shipped for further handling.

In the last Reporting Period, we communicated our approach to support recycling and reuse of various resources, including paper waste, old furniture, plastic foam boxes and bottles. In this Reporting Period, our employees engaged and participated in the paper waste separation on site to facilitate the collection process among community members.

In addition, we are committed to the mitigation of sewage discharge by closely following the Water Pollution Control Ordinance (Cap. 358). We have put in place an on-site treatment facility, which filters, processes and treats the sewage before it is discharged into the sea. To ensure effectiveness, routine inspection on the functionality and conditions of the sewage treatment plant is carried out.

For hazardous waste, such as cooking oil and respective kitchen sewage, they are set to pass through a grease interceptor where oil particles and other impurities are filtered prior to discharge. We also engage a licensed service provider for the collection and treatment of such waste, as well as cleaning of the interceptor on a regular basis.

The Hotel currently has not established a system to record the amount of waste generated and recycled. Nevertheless, we closely oversee our discharge and ensure regulatory compliance. In the future, we shall proactively explore new ways to effectively monitor our waste generation.

Environmental, Social and Governance Report

ESG PERFORMANCE TABLE[1]

Key Performance Indicators	Unit	2018/19 Performance	2017/18 Performance
Environmental			
GHG Emissions (Scope 1 & 2)[1, 2]	tCO_2e	891.27	958.15
GHG Emissions (Scope 1, 2 & 3)	tCO_2e	905.69	973.55
GHG Emission (Scope 1 & 2) Intensity by Area	tCO_2e/m^2	0.16	N/A
Energy Usage	MJ	6,322,699.40	6,821,423.58
Energy Usage Intensity by Area	MJ/m^2	1,149.58	N/A
Electricity Usage	kWh	1,697,437.33	1,812,639.30
Naphtha Usage[2, 3]	L	250.00	495.00
LPG Usage	kg	8,477.00	11,172.00
Water Consumption	m^3	24,188.23	25,344.55
Water Consumption Intensity by Area	m^3/m^2	4.40	N/A
Social			
Workforce by Gender			
Male	Person	17	N/A
Female	Person	12	N/A
Workforce by Employment Level			
Senior Level	Person	4	N/A
Intermediate Level	Person	6	N/A
General Level	Person	19	N/A
Workforce by Age			
<30	Person	2	N/A
30–50	Person	12	N/A
>50	Person	15	N/A

1 The quantification methodology of environmental key performance indicators was referenced from the 2010 Edition of the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department (the Guidelines).

2 Due to data error, the GHG emissions of 2017/18 have been recalculated, and figures have been restated accordingly.

3 Due to data limitation of the Guidelines, naphtha usage is excluded from the calculation of GHG Emissions.

HKEX ESG REPORTING GUIDE CONTENT TABLE

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment — Monitoring Air Emissions, Handling Waste
KPI A1.1	The types of emissions and respective emissions data.	Our Environment — Monitoring Air Emissions, ESG Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Hotel did not record the amount of waste generated. We plan to proactively explore ways to effectively monitor our waste generation in the future
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Hotel did not record the amount of waste generated. We plan to proactively explore ways to effectively monitor our waste generation in the future
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment — Monitoring Air Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment — Handling Waste

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment — Minimising Energy Usage, Conserving Water Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ESG Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ESG Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment — Minimising Energy Usage
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our Environment — Conserving Water Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Hotel did not consume packaging material during the Reporting Period
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment — Monitoring Air Emissions, Conserving Water Resources, Handling Waste
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment — Monitoring Air Emissions, Conserving Water Resources, Handling Waste

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People — Promoting Employee Wellbeing
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	ESG Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People — Enhancing Work Safety
KPI B2.1	Number and rate of work-related fatalities.	N/A
KPI B2.2	Lost days due to work injury.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our People — Enhancing Work Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People — Emphasizing Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People — Upholding Business Ethics and Integrity
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People — Upholding Business Ethics and Integrity
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People — Upholding Business Ethics and Integrity
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Guests — Governing Supply Chain
KPI B5.1	Number of suppliers by geographical region.	Our Guests — Governing Supply Chain
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Guests — Governing Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Guests — Ensuring Service Quality, Prioritising Guests' Interests, Safeguarding Guests' Privacy and Personal Information, Retrofitting and Refurbishment

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
Aspect B6: Product Responsibility (continued)		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Guests — Safeguarding Guests' Privacy and Personal Information
KPI B6.4	Description of quality assurance process and recall procedures.	Our Guests — Ensuring Service Quality, Prioritising Guests' Interests,
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Guests — Safeguarding Guests' Privacy and Personal Information
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our People — Upholding Business Ethics and Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our People — Upholding Business Ethics and Integrity

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community — Promoting Local Cultural Heritage, Facilitating Local Replantation Projects, Supporting Local Sports Development, Joining Force in Local Animal Welfare Protection, Retaining Local Talent
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community — Promoting Local Cultural Heritage, Facilitating Local Replantation Projects, Supporting Local Sports Development, Joining Force in Local Animal Welfare Protection, Retaining Local Talent
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community - Promoting Local Cultural Heritage

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 of the Company (the "Shareholders").

Throughout the year ended 31 March 2019, the Company had 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. 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 and 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.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, oversee the management of the Group, to evaluate the performance of the Group and its subsidiaries (collectively, 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.

Corporate Governance Report

Currently, the Board comprises eight Directors, whose biographical details are set out in the "Profile of Directors" of this annual report. Two of the Directors are executive, three are non-executive and three are independent non-executive. The six non-executive Directors bring a broad range of 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 annual written confirmation from all independent non-executive Directors of their independence and the Company considers them to be independent.

BOARD MEETINGS

Five board meetings and one general meeting were held during the year ended 31 March 2019. 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 *(Managing Director and Chief Executive)*	5/5	1/1
Margaret Chiu *(resigned on 12 November 2018)*	0/2	0/1
Alex Chiu#	0/5	0/1
Amanda Chiu	4/5	1/1
Non-executive Directors		
Chiu Ju Ching Lan	0/5	0/1
Dick Tat Sang Chiu	0/5	0/1
Independent Non-executive Directors		
Ip Shing Hing	5/5	0/1
Ng Wing Hang Patrick	5/5	1/1
Choy Wai Shek Raymond	5/5	1/1

* an annual general meeting was held on 10 September 2018.

Alex Chiu was re-designated from an executive Director to a non-executive Director on 27 June 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and 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 unauthorised 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 2019, 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.

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 regards 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 unauthorised 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 authorised 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 2019, the independent auditor of the Company (the "Independent Auditor") received HK$1,180,000 (2018: HK$1,075,000) for audit service and HK$179,000 (2018: HK$49,000) for non-audit service in connection with tax advisory service and review of preliminary results announcement.

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 had fully complied with the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 March 2019.

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.

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 sections of the Code.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems, 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 2019, the Audit Committee, amongst other matters, reviewed the Group's draft annual results for the year ended 31 March 2018 and draft interim results for the six months ended 30 September 2018 and recommended the same to the Board for approval.

During the year ended 31 March 2019, three 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 *(Chairman of the Audit Committee)*	3/3
Ip Shing Hing	3/3
Choy Wai Shek Raymond	3/3

The Audit Committee met on 27 June 2019 and, among other matters, reviewed the Group's draft audited consolidated results for the year ended 31 March 2019.

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 sections 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.

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 2019, 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 *(Chairman of the Remuneration Committee)*	1/1
Ng Wing Hang Patrick	1/1
Ip Shing Hing	1/1
Derek Chiu	1/1

The Remuneration Committee met on 27 June 2019 and reviewed the remuneration package of all the Directors and senior management.

Corporate Governance Report

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 provisions set out in the relevant sections 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 2019, two meetings were 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 *(Chairman of the Nomination Committee)*	2/2
Ng Wing Hang Patrick	2/2
Choy Wai Shek Raymond	2/2
Derek Chiu	1/2

The Nomination Committee met on 27 June 2019 and recommended the re-appointment of all the retiring Directors at the forthcoming annual general meeting of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity 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.

NOMINATION POLICY

The Company has adopted a nomination policy (the "Nomination Policy") for the purpose to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

(a) reputation for integrity;

(b) accomplishment and experience in the business in which the Group is engaged in;

(c) commitment in respect of available time and relevant interest;

(d) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(e) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(f) the number of existing directorships and other commitments that may demand the attention of the candidate;

(g) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(h) board diversity policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(i) such other perspectives appropriate to the Company's business.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders for consideration and determination.

COMPANY SECRETARY

Ms. Cheng Lucy ("Ms. Cheng") was appointed as company secretary of the Company on 29 November 2018.

Ms. Cheng 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 Ms. Cheng 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.

Ms. Cheng had received no less than 15 hours of relevant professional training for the year ended 31 March 2019.

BOARD'S CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions of the Company as set out in code provision D.3.1 of the Code. The Board has, among others, reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the Listing Rules.

Corporate Governance Report

REMUNERATION OF DIRECTORS

Particulars of the directors' remuneration for the year ended 31 March 2019 are set out in note 9 to the consolidated financial statements.

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 enquiries. 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 enquiries 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/webservice/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 2019, no amendments were made to the constitutional documents of the Company.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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. During the year ended 31 March 2019, all Directors, namely Mr. Derek Chiu, Ms. Amanda Chiu, Madam Chiu Ju Ching Lan, Mr. Dick Tat Sang Chiu, Mr. Alex Chiu, Mr. Ip Shing Hing, Mr. Ng Wing Hang Patrick, Mr. Choy Wai Shek Raymond and Ms. Margaret Chiu (resigned on 12 November 2018) have participated in continuous professional development by reading materials on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been required to provide the Company with their training records.

Deloitte. 德勤

TO THE MEMBERS OF FAR EAST HOTELS AND ENTERTAINMENT LIMITED
(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 52 to 132, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the 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 HK$188,235,225 as at 31 March 2019. A net increase in fair value of HK$9,345,438 was recognised in profit or loss for the year ended 31 March 2019. 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.	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 Valuers to assess whether the approach adopted on valuing the investment properties is appropriate; • Evaluating the Valuers' competence, capabilities and objectivity and obtaining an understanding of the Valuers' 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 accuracy 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of promissory notes receivables	
We identified the impairment assessment of promissory notes receivables as a key audit matter due to significant judgements involved in the estimation. As disclosed in notes 4 and 17 to the consolidated financial statements, the promissory notes receivables carried at HK$8,085,000 as at 31 March 2019. The management of the Group estimates the amount of 12-month expected credit losses ("ECL") of promissory notes receivables based on individual assessment after considering internal credit ratings, ageing, repayment history and/or past due status and forward-looking information of promissory notes receivables. Estimated losses are based on historical observed default rates over the expected life of the promissory notes receivables and are adjusted for forward-looking information. As disclosed in note 17 to the consolidated financial statements, ECL of HK$165,000 on promissory notes receivables as at 31 March 2019 has been recognised.	Our procedures in relation to management's estimated provision of ECL for promissory notes receivables included: • Understanding how the management estimates the loss allowance for promissory notes receivables; • Challenging management's basis and judgement in determining credit loss allowance on promissory notes receivables as at 31 March 2019, including the basis of estimated loss rate applied with reference to historical default rates and forward-looking information; • Checking calculation and basis of default rates adopted by the management for individual assessment with reference to the historical settlement analysis of promissory notes receivables; and • Checking the information used by management, including ageing analysis as at 31 March 2019, by comparing with supporting documents.

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.

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 HKSAs 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 HKSAs, 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.

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

- 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.

- 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

27 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	NOTES	2019 HK$	2018 HK$
Revenue	5	**52,379,154**	52,580,269
Cost of sales		**(38,881,989)**	(42,377,627)
Gross profit		**13,497,165**	10,202,642
Other income		**873,361**	1,020,502
Other gains and losses	6	**(8,206,871)**	12,039,618
Net increase in fair values of investment properties	14	**9,345,438**	7,388,750
Administrative expenses		**(21,035,447)**	(20,276,715)
Finance costs	7	**(813,191)**	(804,299)
Share of results of associates		**596,072**	488,255
(Loss) profit before tax	8	**(5,743,473)**	10,058,753
Income tax expense	11	**(3,851,997)**	(2,622,855)
(Loss) profit for the year attributable to owners of the Company		**(9,595,470)**	7,435,898
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,457,890)**	3,420,614
Total comprehensive (expense) income for the year attributable to owners of the Company		**(13,053,360)**	10,856,512
(LOSS) EARNINGS PER SHARE	12		
Basic		**(1.57) cents**	1.22 cents
Diluted		**(1.57) cents**	1.22 cents

Consolidated Statement of Financial Position

At 31 March 2019

	NOTES	2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipment	13	**61,973,925**	65,032,278
Deposit for acquisition for property, plant and equipment		**700,655**	—
Investment properties	14	**188,235,225**	180,282,614
Interests in associates	16	**1,055,967**	459,895
Promissory notes receivables	17	**–**	3,250,000
Equity instrument at fair value through other comprehensive income	18	**–**	—
Paintings	19	**3,921,217**	3,921,217
Available-for-sale investment	20	**–**	—
		255,886,989	252,946,004
Current assets			
Financial assets at fair value through profit or loss	21	**38,460,864**	47,212,282
Inventories	22	**314,842**	449,742
Promissory notes receivables	17	**8,085,000**	12,000,000
Trade receivables	23	**1,109,100**	10,333,621
Other receivables, deposits and prepayment	37	**1,628,289**	1,233,014
Pledged bank deposits	24	**2,118,000**	2,118,000
Bank deposits	24	**6,994,637**	—
Deposit held with a security broker company	24	**2,253,429**	2,766,263
Bank balances and cash	24	**14,139,430**	11,113,032
		75,103,591	87,225,954
Current liabilities			
Trade and other payables and accruals	25	**11,491,311**	10,250,120
Contract liabilities	26	**304,727**	—
Deposits received		**80,000**	206,396
Amount due to an associate	27	**678,381**	287,381
Amounts due to related companies	28	**679,121**	695,076
Bank borrowings	29	**16,911,478**	17,145,934
Obligations under finance leases	30	**293,673**	326,257
Tax payable		**1,993,168**	1,417,676
		32,431,859	30,328,840
Net current assets		**42,671,732**	56,897,114
Total assets less current liabilities		**298,558,721**	309,843,118

Consolidated Statement of Financial Position

At 31 March 2019

	NOTES	2019 HK$	2018 HK$
Capital and reserves			
Share capital	31	**312,890,213**	312,144,213
Reserves		**(27,851,087)**	(18,315,414)
		285,039,126	293,828,799
Non-current liabilities			
Deferred taxation	33	**1,508,462**	1,205,179
Provision for long service payments	32	**2,053,401**	2,053,401
Obligations under finance leases	30	**346,735**	374,737
Bank borrowings	29	**9,610,997**	12,381,002
		13,519,595	16,014,319
		298,558,721	309,843,118

The consolidated financial statements on pages 52 to 132 were approved and authorised for issue by the Board of Directors on 27 June 2019 and are signed on its behalf by:

DEREK CHIU
DIRECTOR

AMANDA CHIU
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital HK$	Share option reserve HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2017	312,144,213	4,931,956	(3,863,649)	(34,073,589)	279,138,931
Profit for the year	–	–	–	7,435,898	7,435,898
Exchange differences arising on translation of foreign operations	–	–	3,420,614	–	3,420,614
Total comprehensive income for the year	–	–	3,420,614	7,435,898	10,856,512
Share-based payment expenses	–	3,833,356	–	–	3,833,356
Lapsed share options transferred to accumulated losses	–	(261,085)	–	261,085	–
At 31 March 2018	**312,144,213**	**8,504,227**	**(443,035)**	**(26,376,606)**	**293,828,799**
Loss for the year	**–**	**–**	**–**	**(9,595,470)**	**(9,595,470)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(3,457,890)**	**–**	**(3,457,890)**
Total comprehensive expense for the year	**–**	**–**	**(3,457,890)**	**(9,595,470)**	**(13,053,360)**
Share issued upon exercise of share options (note 31)	**746,000**	**(300,660)**	**–**	**300,660**	**746,000**
Share-based payment expenses	**–**	**3,517,687**	**–**	**–**	**3,517,687**
Lapsed share options transferred to accumulated losses	**–**	**(147,660)**	**–**	**147,660**	**–**
At 31 March 2019	**312,890,213**	**11,573,594**	**(3,900,925)**	**(35,523,756)**	**285,039,126**

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$	2018 HK$
Operating activities		
(Loss) profit before tax	**(5,743,473)**	10,058,753
Adjustments for:		
Net increase in fair values of investment properties	**(9,345,438)**	(7,388,750)
Share of results of associates	**(596,072)**	(488,255)
Decrease (increase) in fair values of financial assets at fair value through profit or loss	**8,063,195**	(12,039,618)
Impairment loss recognised in respect of promissory notes receivables	**165,000**	—
Write-down of inventory	**186,215**	—
Interest income	**(144,098)**	(219,839)
Depreciation of property, plant and equipment	**8,680,628**	8,505,152
Finance costs	**813,191**	804,299
Gain on disposal of property, plant and equipment	**(21,324)**	—
Share-based payment expenses	**3,517,687**	3,833,356
Operating cash flows before movements in working capital	**5,575,511**	3,065,098
Decrease in financial assets at fair value through profit or loss	**688,223**	4,268,442
(Increase) decrease in inventories	**(52,750)**	7,103
Decrease (increase) in trade receivables	**8,603,891**	(5,444,143)
(Increase) decrease in other receivables, deposits and prepayment	**(1,099,603)**	487,785
Increase in trade and other payables and accruals	**1,683,765**	265,055
Increase in contract liabilities	**113,331**	—
Increase (decrease) in deposits received	**65,000**	(150,688)
Decrease in amount due to a non-controlling shareholder	**—**	(1,243,266)
Cash generated from operations	**15,577,368**	1,255,386
Income tax paid	**(2,877,752)**	—
Net cash generated from operating activities	**12,699,616**	1,255,386
Investing activities		
Dividends received from associates	**—**	1,250,000
Interest received	**144,098**	219,839
Addition of investment properties	**(115,250)**	(3,620)
Addition of property, plant and equipment	**(6,920,623)**	(9,744,849)
Proceeds from disposal of property, plant and equipment	**40,040**	—
Receipt of promissory notes receivables	**7,000,000**	6,000,000
Placement of bank deposits	**(6,994,637)**	—
Net cash used in investing activities	**(6,846,372)**	(2,278,630)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$	2018 HK$
Financing activities		
Proceeds from issue of shares upon exercise of share options	**746,000**	–
Repayment of bank borrowings	**(3,004,461)**	(2,379,742)
Interest paid	**(813,191)**	(804,299)
Repayment of obligations under finance leases	**(345,404)**	(361,501)
Advances from (repayment to) an associate	**391,000**	(465,000)
Repayment to related companies	**(15,955)**	(17,955)
Net cash used in financing activities	**(3,042,011)**	(4,028,497)
Net increase (decrease) in cash and cash equivalents	**2,811,233**	(5,051,741)
Cash and cash equivalents brought forward	**13,879,295**	18,548,469
Effect of foreign exchange rate changes	**(297,669)**	382,567
Cash and cash equivalents carried forward	**16,392,859**	13,879,295
Represented by:		
Bank balances and cash	**14,139,430**	11,113,032
Deposit held with a security broker company	**2,253,429**	2,766,263
	16,392,859	13,879,295

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" in the annual report.

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, 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.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group recognises revenue from the following major sources which arise from contracts with customers:

- income from hotel operation
- management service income from properties

The group also earns rental revenue as a lessor from letting of properties.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
		HK$	HK$	HK$
Current Liabilities				
Deposits received	(a)	206,396	(191,396)	15,000
Contract liabilities	(b)	–	191,396	191,396

Note:

(a) As at 1 April 2018, deposits received in advance from customers of HK$191,396 previously included in deposits received were reclassified to contract liabilities.

(b) For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2018 as disclosed above.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the year ended 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the consolidated statement of financial position

	Note	As reported	Adjustment	Amounts without application of HKFRS 15
		HK$	HK$	HK$
Current Liabilities				
Deposits received	(a)	80,000	304,727	384,727
Contract liabilities	(a)	304,727	(304,727)	–

Note:

(a) As at 31 March 2019, contract liabilities of HK$304,727 would be accounted for as deposits received without application of HKFRS 15.

Impact on the consolidated statement of cash flows

	Note	As reported	Adjustment	Amounts without application of HKFRS 15
		HK$	HK$	HK$
Operating Activities				
Increase in deposits received	(a)	65,000	113,331	178,331
Increase in contract liabilities	(a)	113,331	(113,331)	–

Note:

(a) For the year ended 31 March 2019, increase in contract liabilities of HK$113,331 would be accounted for as changes in deposits received without application of HKFRS 15.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

(a) Available-for-sale ("AFS") investment

From AFS equity investment to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value change of its equity investment previously classified as AFS. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the fair value relating to this investment was insignificant.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.2 HKFRS 9 Financial Instruments *(Continued)*

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including promissory notes receivables, other receivables, pledged bank deposits, bank deposits, deposit held with a security broker company and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance is insignificant to be recognised against accumulated losses.

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 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

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

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

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 *(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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement 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.

Other than certain requirements which are also applicable to lessor, 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.

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 *(Continued)*

HKFRS 16 Leases *(Continued)*

As at 31 March 2019, the Group, as a lessee, has non-cancellable operating lease commitments of HK$27,936,044 as disclosed in note 35. 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.

In addition, the Group currently considers refundable rental deposits paid of HK$333,700 and refundable rental deposits received of HK$80,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits will be adjusted to amortised cost and such adjustments are considered as additional lease payments, which will be included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 accumulated losses as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the 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 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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 (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress over 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

Investment in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates 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 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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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.

When the Group reduces its ownership interest in an associate 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 of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate 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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (Hotel rooms revenue and food and beverages), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 April 2018)

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 appointment 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Paintings

Paintings are stated at cost less any identified impairment loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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.

The recoverable amount of tangible assets are assessed individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)
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.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, promissory notes receivables, pledged bank deposits, bank deposits, deposit held with a security broker company and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition with note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transition with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)
Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, AFS 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.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on 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 and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(ii) AFS financial assets
AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

AFS equity 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.

(iii) 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 promissory notes receivables, trade and other receivables, pledged bank deposits, bank deposits, deposit held with a security broker company and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)
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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)
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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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 promissory notes receivables and trade receivables, 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 a promissory notes receivables or trade 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.

When an AFS 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)
In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of AFS revaluation reserve. In respect of AFS 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.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity
Debt and equity instruments 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities
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.

Equity-settled share-based payment transactions
Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-indirect vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, 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 equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, 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 accumulated losses.

Leases
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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense in the statement of profit or loss unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deduction of any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the statement of profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

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) profit before tax 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

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

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 determining 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 values 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").

In determining the classification of the 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, cumulative expenditure of HK$103,393,006 (2018: HK$103,366,083) was incurred by the Group. The carrying amount of these modification costs of HK$26,525,871 (2018: HK$28,215,967) as at 31 March 2019 is 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 35.

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

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 values 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 other 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 or 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.

As at 31 March 2019, the carrying amount of the Group's investment properties is HK$188,235,225 (2018: HK$180,282,614).

Deferred taxation on unused tax losses

As at 31 March 2019, a deferred tax asset in relation to unused tax losses of approximately HK$10,926,000 (2018: HK$8,472,000) has been recognised in the Group's consolidated statement of financial position, details of which are set out in note 33. No deferred tax asset has been recognised on the tax losses of approximately HK$218,201,000 and HK$198,211,000 as at 31 March 2019 and 2018, 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.

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

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for promissory notes receivables

The Group estimated provision of ECL individually for promissory notes receivables based on the debtor's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's promissory notes receivables are disclosed in notes 41 and 17 respectively.

As at 31 March 2019, the carrying amount of the Group's promissory notes receivables is HK$8,085,000.

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customers

	2019		
Segments	**Hotel operation in Hong Kong HK$**	**Serviced property letting in the Mainland China HK$**	**Total HK$**
Types of goods or services			
Hotel operation			
— Hotel rooms revenue	12,893,587	–	12,893,587
— Food and beverages	7,750,152	–	7,750,152
Property management services	–	1,181,181	1,181,181
Total	**20,643,739**	**1,181,181**	**21,824,920**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 March 2019 *(Continued)*

(i) Disaggregation of revenue from contracts with customers (Continued)

	2019		
Segments	**Hotel operation in Hong Kong HK$**	**Serviced property letting in the Mainland China HK$**	**Total HK$**
Geographical markets			
Hong Kong	20,643,739	—	20,643,739
Mainland China	—	1,181,181	1,181,181
Total	20,643,739	1,181,181	21,824,920
Timing of revenue recognition			
A point in time	7,750,152	—	7,750,152
Over time	12,893,587	1,181,181	14,074,768
Total	20,643,739	1,181,181	21,824,920

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2019 HK$
Hotel rooms operation	
— Hotel rooms revenue	12,893,587
— Food and beverages	7,750,152
Property management services	1,181,181
Revenue from contracts with customers	21,824,920
Gross rental income from properties	30,554,234
Total revenue	52,379,154

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

A. For the year ended 31 March 2019 *(Continued)*

(ii) Performance obligations for contracts with customers

Hotel operation
Income from hotel operation represents the hotel room revenue from customers which are recognised over time using output method when the service and facilities are provided. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers. All the hotel operation services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

For income from food and beverages, revenue is recognised when control of the goods has transferred to customers, being at the point the goods are delivered to the customer.

Property management service
Revenue from property management service are payable by the tenants, are recognised over time using output method when the services and facilities are provided. The Group applied the practical expedient in HKFRS by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill a fixed amount for every three months according to the terms of the relevant agreement.

For contracts where the period between payment and transfer of the hotel room revenue from customers is less than one year as permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.

B. For the year ended 31 March 2018
An analysis of the Group's revenue representing the aggregate amount of income from hotel operation and gross rental income from properties, is as follows:

	2018 HK$
Income from hotel operation	
— Hotel room revenue	12,292,279
— Food and beverages	9,082,827
Gross rental income from properties	31,205,163
	52,580,269

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 "Mainland China")
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

Segment revenue and results

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

	2019					
	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China HK$	Property investment in Hong Kong HK$	Property investment overseas HK$	Securities investment and trading HK$	Total HK$
Revenue	20,643,739	30,126,896	431,314	1,177,205	–	52,379,154
Segment profit (loss)	2,320,220	10,231,306	9,075,267	1,040,138	(7,331,638)	15,335,293
Unallocated gains and losses						173,800
Unallocated expenses						(21,035,447)
Unallocated finance costs						(813,191)
Share of results of associates						596,072
Loss before tax						(5,743,473)
Income tax expense						(3,851,997)
Loss for the year						(9,595,470)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenue and results (Continued)

	2018					
	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China HK$	Property investment in Hong Kong HK$	Property investment overseas HK$	Securities investment and trading HK$	Total HK$
Revenue	21,375,106	28,946,952	654,094	1,604,117	–	52,580,269
Segment profit (loss)	2,824,495	8,411,891	10,990,150	(4,635,145)	12,834,970	30,426,361
Unallocated gains and losses						225,150
Unallocated expenses						(20,276,714)
Unallocated finance costs						(804,299)
Share of results of associates						488,255
Profit before tax						10,058,753
Income tax expense						(2,622,855)
Profit for the year						7,435,898

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 income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Information about major customers

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

	2019 HK$	2018 HK$
Customer A	**6,097,861**	6,150,965
Customer B	**23,860,912**	19,640,109
	29,958,773	25,791,074

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:

	2019 HK$	2018 HK$
Segment assets		
Hotel operation in Hong Kong	**21,514,603**	19,651,210
Serviced property letting in the Mainland China	**47,325,405**	46,369,579
Property investment in Hong Kong	**154,442,047**	144,827,457
Property investment overseas	**34,760,795**	38,310,300
Securities investment and trading	**40,741,690**	52,194,723
Total segment assets	**298,784,540**	301,353,269
Promissory notes receivables	**8,085,000**	15,250,000
Paintings	**3,921,217**	3,921,217
Other unallocated assets	**20,199,823**	19,647,472
Consolidated assets	**330,990,580**	340,171,958
Segment liabilities		
Hotel operation in Hong Kong	**2,844,541**	2,883,454
Serviced property letting in the Mainland China	**9,435,394**	5,616,707
Property investment in Hong Kong	**1,618,866**	1,472,200
Property investment overseas	**306,537**	22,002
Securities investment and trading	**100,000**	100,000
Total segment liabilities	**14,305,338**	10,094,363
Bank borrowings	**26,522,475**	29,526,936
Obligations under finance leases	**640,408**	700,994
Other unallocated liabilities	**4,483,233**	6,020,866
Consolidated liabilities	**45,951,454**	46,343,159

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), obligations under finance leases and other unallocated corporate liabilities.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information

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

2019	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China 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	**2,830,050**	**4,010,615**	**115,250**	**–**	**–**	**6,955,915**	**364,776**	**7,320,691**
Depreciation of property, plant and equipment	**1,650,807**	**6,319,021**	**–**	**–**	**–**	**7,969,828**	**710,800**	**8,680,628**
Increase in fair values of investment properties	**–**	**–**	**9,345,438**	**–**	**–**	**9,345,438**	**–**	**9,345,438**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**813,191**	**813,191**
Decrease in fair values of financial assets at FVTPL	**–**	**–**	**–**	**–**	**(8,063,195)**	**(8,063,195)**	**–**	**(8,063,195)**

2018	Hotel operation in Hong Kong HK$	Serviced property letting in the Mainland China 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	1,163,835	7,942,965	3,620	–	–	9,110,420	638,049	9,748,469
Depreciation of property, plant and equipment	1,510,599	6,303,840	–	–	–	7,814,439	690,713	8,505,152
Increase (decrease) in fair values of investment properties	–	–	12,775,437	(5,386,687)	–	7,388,750	–	7,388,750
Finance costs	–	–	–	–	–	–	804,299	804,299
Increase in fair values of financial assets at FVTPL	–	–	–	–	12,039,618	12,039,618	–	12,039,618

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, the Mainland China 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	
	2019	2018	**2019**	2018
	HK$	HK$	**HK$**	HK$
Hong Kong	**21,075,053**	22,029,200	**192,445,194**	184,656,041
The Mainland China	**30,126,896**	28,946,952	**29,359,260**	32,699,351
Overseas	**1,177,205**	1,604,117	**34,082,535**	35,590,612
	52,379,154	52,580,269	**255,886,989**	252,946,004

6. OTHER GAINS AND LOSSES

	2019	2018
	HK$	HK$
(Decrease) increase in fair values of financial assets at FVTPL	**(8,063,195)**	12,039,618
Impairment loss recognised in respect of promissory notes receivables	**(165,000)**	–
Gain on disposal of property, plant and equipment	**21,324**	–
	(8,206,871)	12,039,618

7. FINANCE COSTS

	2019	2018
	HK$	HK$
Interests on borrowings and overdrafts	**790,298**	771,042
Interest on finance leases	**22,893**	33,257
	813,191	804,299

8. (LOSS) PROFIT BEFORE TAX

	2019 HK$	2018 HK$
(Loss) profit before tax has been arrived at after charging:		
Auditor's remuneration		
— audit service	**1,180,000**	1,075,000
— non-audit services	**179,000**	49,000
Cost of inventories recognised as an expense	**3,763,908**	5,047,378
Write-down of inventory	**186,215**	—
Depreciation of property, plant and equipment	**8,680,628**	8,505,152
Operating lease rentals in respect of rented premises	**6,324,446**	6,492,579
Staff costs:		
Directors' remuneration (note 9)	**6,400,769**	6,052,393
Other staff:		
— Salaries and other allowances	**11,551,684**	11,543,841
— Retirement benefit schemes contributions	**657,054**	651,777
	12,208,738	12,195,618
and crediting:		
Interest income (included in other income)		
— Bank deposits	**25,921**	10,412
— Promissory notes receivables	**118,177**	209,427
	144,098	219,839
Dividend income from financial assets at FVTPL (included in other income)	**729,263**	794,502
Net rental income from properties (Note)	**24,969,749**	24,151,783

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$5,388,646 (2018: HK$6,604,622); and

(b) Direct operating expenses incurred for investment properties that did not generate rental income during the year of HK$195,839 (2018: HK$448,758).

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Name of director	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$
2019						
Executive directors:						
Mr. Derek Chiu	10,000	1,334,462	18,000	1,151,131	–	2,513,593
Ms. Margaret Chiu (resigned on 12 November 2018)	6,164	77,000	3,850	–	–	87,014
Mr. Alex Chiu*	10,000	–	–	1,193,648	–	1,203,648
Ms. Amanda Chiu	10,000	409,994	16,800	1,172,908	787,200	2,396,902
	36,164	1,821,456	38,650	3,517,687	787,200	6,201,157
Non-executive directors:						
Madam Chiu Ju Ching Lan	10,000	246,812	–	–	–	256,812
Mr. Dick Tat Sang Chiu	10,000	–	–	–	–	10,000
	20,000	246,812	–	–	–	266,812
Independent non-executive directors:						
Mr. Ip Shing Hing	240,000	–	–	–	–	240,000
Mr. Ng Wing Hang	240,000	–	–	–	–	240,000
Mr. Choy Wai Shek	240,000	–	–	–	–	240,000
	720,000	–	–	–	–	720,000
	776,164	2,068,268	38,650	3,517,687	787,200	7,187,969

* Mr. Alex Chiu was re-designated from an executive Director to a non-executive Director on 27 June 2019.

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$
2018						
Executive directors:						
Mr. Derek Chiu	10,000	951,137	18,000	1,544,026	765,000	3,288,163
Ms. Margaret Chiu	10,000	132,000	6,600	—	—	148,600
Mr. Alex Chiu	10,000	—	—	508,740	—	518,740
Ms. Amanda Chiu	10,000	316,000	15,300	1,017,480	—	1,358,780
	40,000	1,399,137	39,900	3,070,246	765,000	5,314,283
Non-executive directors:						
Madam Chiu Ju Ching Lan	10,000	360,000	—	—	—	370,000
Mr. Dick Tat Sang Chiu	10,000	—	—	—	—	10,000
	20,000	360,000	—	—	—	380,000
Independent non-executive directors:						
Mr. Ip Shing Hing	120,000	—	—	254,370	—	374,370
Mr. Ng Wing Hang	120,000	—	—	254,370	—	374,370
Mr. Choy Wai Shek	120,000	—	—	254,370	—	374,370
	360,000	—	—	763,110	—	1,123,110
	420,000	1,759,137	39,900	3,833,356	765,000	6,817,393

Note: Other benefits include certain leasehold land and building of the Group with estimated rateable value of HK$787,200 (2018: HK$765,000) occupied by Ms. Amanda Chiu (2018: Mr. Derek Chiu) as her 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 2019 and 2018.

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 (2018: five) highest paid employees of the Group during the year included three directors (2018: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employee who are neither a director nor Chief Executive of the Company are as follows:

	2019 HK$	2018 HK$
Salaries and other allowances	**1,300,300**	928,895
Retirement benefit schemes contributions	**36,000**	30,975
	1,336,300	959,870

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:

	2019 No. of employees	2018 No. of employees
Nil to HK$1,000,000	**2**	2

11. INCOME TAX EXPENSE

	2019 HK$	2018 HK$
Current tax:		
Mainland China	**2,573,626**	941,124
Fiji	**567,331**	152,951
	3,140,957	1,094,075
Underprovision in prior years:		
Mainland China	**312,288**	–
Fiji	**–**	323,601
Deferred taxation (note 33)	**398,752**	1,205,179
	3,851,997	2,622,855

11. INCOME TAX EXPENSE *(Continued)*

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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Mainland China subsidiary is 25% for both years.

Fiji corporate income tax is calculated in accordance with Income Tax Act at a rate of 20%.

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

	2019 **HK$**	2018 HK$
(Loss) profit before tax	**(5,743,473)**	10,058,753
Tax at the Hong Kong Profits Tax rate of 16.5% (note)	**(947,673)**	1,659,694
Tax effect of share of results of associates	**(98,351)**	(80,562)
Tax effect of expenses not deductible for tax purposes	**2,038,289**	1,490,395
Tax effect of income not taxable for tax purposes	**(1,666,224)**	(2,252,609)
Tax effect of tax losses not recognised	**3,298,269**	2,446,300
Utilisation of tax losses previously not recognised	**–**	(2,096,968)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**817,321**	989,413
Underprovision in prior years	**312,288**	323,601
Others	**98,078**	143,591
Income tax expense for the year	**3,851,997**	2,622,855

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) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to owners of the Company is based on the loss for the year of HK$9,595,470 (2018: profit for the year of HK$7,435,898) and the number of shares as calculated below.

	2019	2018
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**609,839,442**	607,710,675

12. (LOSS) EARNINGS PER SHARE *(Continued)*

For the year ended 31 March 2019, the computation of the diluted loss per share did not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

For the year ended 31 March 2018, the computation of diluted earnings per share does not assume the exercise of the Company's share options, because the exercise price of those options was higher than the average market price for shares for the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Modification costs to superstructure	Leasehold land and buildings in Hong Kong		Leasehold improvements	Furniture, fixtures, equipment, motor vehicles and others	Total
		Hotel property	Other properties			
	HK$ (Note)	HK$	HK$	HK$	HK$	HK$
COST						
At 1 April 2017	96,832,739	37,323,408	21,789,442	13,591,969	43,942,249	213,479,807
Exchange adjustments	5,823,693	–	–	1,178,246	1,041,716	8,043,655
Additions	7,942,965	–	–	71,000	1,730,884	9,744,849
Disposals/written off	(7,233,314)	–	–	–	(404,487)	(7,637,801)
At 31 March 2018	103,366,083	37,323,408	21,789,442	14,841,215	46,310,362	223,630,510
Exchange adjustments	(3,983,692)	–	–	(796,521)	(713,694)	(5,493,907)
Additions	4,010,615	–	–	29,266	3,165,560	7,205,441
Disposals/written off	–	–	–	–	(226,722)	(226,722)
At 31 March 2019	**103,393,006**	**37,323,408**	**21,789,442**	**14,073,960**	**48,535,506**	**225,115,322**
DEPRECIATION						
At 1 April 2017	73,546,682	25,131,136	7,053,796	9,514,421	36,384,468	151,630,503
Exchange adjustments	4,510,981	–	–	731,375	853,985	6,096,341
Provided for the year	4,325,767	746,472	482,911	1,406,955	1,543,047	8,505,152
Eliminated on disposals/written off	(7,233,314)	–	–	–	(400,450)	(7,633,764)
At 31 March 2018	75,150,116	25,877,608	7,536,707	11,652,751	38,381,050	158,598,232
Exchange adjustments	(2,753,755)	–	–	(585,668)	(590,034)	(3,929,457)
Provided for the year	4,470,774	746,472	482,911	1,320,125	1,660,346	8,680,628
Eliminated on disposals/written off	–	–	–	–	(208,006)	(208,006)
At 31 March 2019	**76,867,135**	**26,624,080**	**8,019,618**	**12,387,208**	**39,243,356**	**163,141,397**
CARRYING VALUES						
At 31 March 2019	**26,525,871**	**10,699,328**	**13,769,824**	**1,686,752**	**9,292,150**	**61,973,925**
At 31 March 2018	28,215,967	11,445,800	14,252,735	3,188,464	7,929,312	65,032,278

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

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

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

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$9,292,150 (2018: HK$7,929,312) includes an amount of HK$1,474,080 (2018: HK$1,459,250) in respect of asset held under finance lease.

14. INVESTMENT PROPERTIES

	2019 HK$	2018 HK$
At 1 April	**180,282,614**	171,699,285
Exchange adjustments	**(1,508,077)**	1,190,959
Additions	**115,250**	3,620
Net increase in fair values recognised in profit or loss	**9,345,438**	7,388,750
At 31 March	**188,235,225**	180,282,614

Except for the Rented Premises as disclosed in note 4, 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 ("The Chiu 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 derecognised and charged to profit or loss in the year ended 31 March 2014.

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 having 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 and valued at HK$1, amounted to HK$21,921,767 (2018: 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 as having a risk of dispossession as described above. Accordingly, the fair value of the 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 Lands Department of HKSAR ("Lands Department") dated 12 December 2014 (the "Letter") to the Group that such unauthorised structures were in breach of lease conditions and the Lands 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 that 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, and thus 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 and valued at HK$1, amounted to HK$12,355,861.

In estimating the fair values 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.

14. INVESTMENT PROPERTIES *(Continued)*

For the Group's investment properties located in Hong Kong, the fair values of HK$154,152,690 and HK$144,692,002 at 31 March 2019 and 2018 respectively 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 and adjusted based on the knowledge of the independent qualified professional valuer and management of the Group on the factors specific to the respective properties. 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 is the higher/lower the fair value will be. The adopted market unit rates for the Group's residential units are from range of HK$5,674 to HK$5,676 (2018: 5,000 to HK$5,086) per square foot and the ex-gratia compensation rates for the Group's interests in various lots of land range from HK$378 to HK$1,165 (2018: HK$358 to HK$1,077) per square foot.

For the Group's investment property located in Fiji, the fair value of HK$34,082,535 and HK$35,590,612 at 31 March 2019 and 2018 respectively has 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 and adjusted based on the knowledge of the independent qualified professional valuer and management of the Group on the factors specific to the respective properties. In the valuation under direct comparison approach, which falls under Level 3 of the fair value hierarchy, market unit rates of comparable properties are the key inputs for the Group's investment property. The higher/lower the market unit rates is the higher/lower the fair value will be. The adopted market unit rate for the Group's investment property is FJ$13 (equivalent to HK$47) (2018: FJ$13 (equivalent to HK$50)) 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$51,285,814 (2018: HK$47,451,721) are registered in the name of a company controlled by the Chiu Family as trustee for the Group.

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
		2019	2018	
		%	%	
Direct owned subsidiaries				
Alabama Investment Company Limited	HK$9,000	**97.8**	97.8	Hotel operation
Kingwell Century Limited	HK$2	**100**	100	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK$25,200,000	**100**	100	Property investment
Mainstar International Limited	HK$1	**100**	100	Property investment
Rex Entertainment Limited	HK$100,000	**100**	100	Property investment
Sino Noble Development Limited	HK$100	**100**	100	Property investment
Indirect owned subsidiaries				
Beijing Hai Lian Property Management Co., Ltd.	US$3,000,000 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

15. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

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

All 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 Mainland China 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

	2019	2018
	HK$	HK$
Unlisted shares, at cost	**2**	2
Share of post-acquisition results, net of dividends received	**1,055,965**	459,893
	1,055,967	459,895

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 2018 (2017: 31 December 2017) have been adopted and adjusted for the effects of significant transactions, if any, that occur from 1 January 2019 to 31 March 2019 (2018: 1 January 2018 to 31 March 2018).

16. INTERESTS IN ASSOCIATES *(Continued)*

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
			2019	2018	
			%	%	
Central More Limited ("Central More")	Hong Kong	HK$2 Ordinary shares	**50**	50	Property development
Nob Hill Management Limited ("Nob Hill")	Hong Kong	HK$2 Ordinary shares	**50**	50	Property management

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.

No individual or aggregate financial information of Central More and Nob Hill is presented as they are not individually material to the Group.

17. PROMISSORY NOTES RECEIVABLES

As at 31 March 2019, the amount represents two promissory notes with outstanding principal amount of HK$5,000,000 and HK$3,250,000 which is repayable by no later than 31 December 2018, and 30 June 2019, respectively (2018: three promissory notes). The promissory notes which are due from a related company controlled by a director of the Company, are unsecured and not guaranteed, bear interest at 1.5% per annum.

17. PROMISSORY NOTES RECEIVABLES *(Continued)*

The promissory notes comprise of:

	2019 HK$	2018 HK$
Amount receivable within one year	8,250,000	12,000,000
Amount receivables after one year	–	3,250,000
Allowance for credit loss	(165,000)	–
	8,085,000	15,250,000

As at 31 March 2019, the gross amount of promissory notes receivables past due but not impaired amounted to HK$5,000,000 (2018: HK$6,000,000) which was fully settled subsequent to the reporting period end.

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 mitigated in view of management's dedicated effort in monitoring the outstanding balance and positive development on settlement arrangement.

Details of impairment assessment of promissory notes receivables for the year ended 31 March 2019 are set out in note 41.

18. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$
Unlisted investment:	
– Equity securities (note)	–

Note: The above unlisted equity investment represent the Group's equity interest in a private entity established in Australia. The directors of the Company have elected to designate this investment in equity instrument as at FVTOCI as it is the Group's strategy to hold the investment for long-term purposes and to realise its performance potential in the long run. After taking into account that the estimated cash flows that would be recovered from the disposal of the investment after arm's length negotiation, the management concluded that fair value is insignificant as at 31 March 2019.

19. PAINTINGS

Paintings are stated at cost less impairment at the end of the reporting period. The accumulated impairment losses of HK$1,182,173 (2018: HK$1,182,173) as at 31 March 2019 were made by the directors of the Company with reference to the open market values of those paintings.

20. AVAILABLE-FOR-SALE INVESTMENT

Upon application of HKFRS 9 at 1 April 2018, the carrying amount of the investment was reclassified from AFS investment to equity instrument at FVTOCI. Details of the investment is set out in note 18.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$	HK$
Equity securities listed in Hong Kong, at fair value	**38,460,864**	47,212,282

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

22. INVENTORIES

The amount mainly represents food and beverage and other consumables is stated at the lower of cost and net realisable value.

23. 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.

	2019	2018
	HK$	HK$
Trade receivables	**1,109,100**	10,333,621
Less: Allowance for credit losses	**—**	—
	1,109,100	10,333,621

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK$232,668 and HK$172,938, respectively.

23. TRADE RECEIVABLES *(Continued)*

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

	2019 HK$	2018 HK$
0–30 days	**502,205**	9,029,384
31–60 days	**120,471**	123,631
Over 60 days	**486,424**	1,180,606
	1,109,100	10,333,621

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$606,895 which are past due but which are not considered in default because there had not been a significant change in credit quality of these debtors with reference to track records as well as relevant future looking information of these customers under internal assessment by the Group.

Trade receivables aged over 30 days are past due.

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,304,237 which are past due as at the reporting date for which the Group has not provided for impairment loss as the directors of the Company considered that they are recoverable. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts

	2018 HK$
Balance at beginning of the year	234,449
Exchange adjustment	25,309
Amounts written off as uncollectible	(259,758)
Balance at end of the year	—

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

23. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts *(Continued)*

As at 31 March 2018, 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.

Trade receivable due from the related party

Included in the Group's trade receivables is an unsecured amount due from the Group's related company of HK$619,796 (2018: HK$1,416,613). An amount of HK$449,715 (2018: HK$1,015,818) is past due at the reporting date but which is not considered as in default. No impairment has been recognised in accordance with ECL model in respect of the amount outstanding from the related company. The related company is controlled by a director of the Company.

Details of impairment assessment of trade receivables for the year ended 31 March 2019 are set out in note 41.

24. PLEDGED BANK DEPOSITS/BANK DEPOSITS/DEPOSIT HELD WITH A SECURITY BROKER COMPANY/BANK BALANCES AND CASH

Bank balances and deposit held with a security broker company carry interest at prevailing market rate of 0.01% (2018: 0.01%) per annum.

The pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 0.70% (2018: 0.01% to 0.25%) per annum and are pledged to secure banking overdrafts granted to the Group and therefore classified as current assets.

The bank deposits represent fixed bank deposits with original maturity more than three months carry fixed interest rate at 1.55% per annum.

Details of impairment assessment of bank balances, bank deposits, pledged bank deposits and deposit held with a security broker company for the year ended 31 March 2019 are set out in note 41.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 HK$	2018 HK$
Trade payables	**749,510**	913,774
Other payables and accruals	**5,425,312**	4,510,742
Receipt in advance	**5,316,489**	4,825,604
	11,491,311	10,250,120

Included in trade and other payables and accruals are trade payables of HK$749,510 (2018: HK$913,774). The following is an aged analysis of the trade payables based on invoice date:

	2019 HK$	2018 HK$
0–30 days	**256,329**	339,616
31–60 days	**219,652**	343,944
Over 60 days	**273,529**	230,214
	749,510	913,774

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

26. CONTRACT LIABILITIES

	At 31 March 2019 HK$	At 1 April 2018* HK$
Hotel rooms operation	**304,727**	191,396

* The amount in this column is after the adjustment upon the application of HKFRS 15 on 1 April 2018.

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. BANK BORROWINGS

	2019 HK$	2018 HK$
The secured bank borrowings are repayable as follows:		
Within one year*	**2,561,686**	2,500,270
Within a period of more than one year but not exceeding two years*	**2,636,290**	2,570,000
Within a period of more than two years but not exceeding five years*	**6,974,707**	8,147,157
Within a period of more than five years*	**–**	1,663,845
	12,172,683	14,881,272
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**14,349,792**	14,645,664
	26,522,475	29,526,936
Less: Amount due within one year shown under current liabilities	**(16,911,478)**	(17,145,934)
Amount due after one year shown under non-current liabilities	**9,610,997**	12,381,002

* 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 2.60% to 2.81% (2018: 2.18% to 2.52%) per annum.

The bank borrowings are secured by the pledge of assets as set out in note 34.

30. OBLIGATIONS UNDER FINANCE LEASES

	2019		2018	
	Minimum lease payment HK$	Present value of minimum lease payment HK$	Minimum lease payment HK$	Present value of minimum lease payment HK$
Obligations under finance lease payables:				
Within one year	313,248	293,673	344,492	326,257
Within a period of more than one year but not more than two years	211,963	202,280	243,084	234,451
Within a period of more than two years but not more than five years	152,022	144,455	141,799	140,286
	677,233	640,408	729,375	700,994
Less: Future finance lease charges	(36,825)	–	(28,381)	–
Present value of lease obligation	640,408	640,408	700,994	700,994
Less: Amounts due for settlement within twelve months (shown under current liabilities)		(293,673)		(326,257)
Amounts due for settlement after twelve months (shown under non-current liabilities)		346,735		374,737

The lease term is 5 years. For the year ended 31 March 2019, the average effective borrowing rate was 3.92% (2018: 4.56%) per annum. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

31. SHARE CAPITAL

	Number of shares	HK$
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2017 and 31 March 2018	607,710,675	312,144,213
Exercise of share options (Note a)	3,000,000	746,000
At 31 March 2019	610,710,675	312,890,213

Notes:

(a) Details of the exercise of share options during the year ended 31 March 2019 are set out in note 38.

(b) All the shares issued during the year rank pari passu with other shares in issue in all respects.

32. 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.

33. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Total
	HK$	HK$	HK$
At 1 April 2017	1,379,887	(1,379,887)	—
Charge (credit) to profit or loss	1,223,145	(17,966)	1,205,179
At 31 March 2018	2,603,032	(1,397,853)	1,205,179
Charge (credit) to profit or loss	803,667	(404,915)	398,752
Exchange realignment	(95,469)	—	(95,469)
At 31 March 2019	**3,311,230**	**(1,802,768)**	**1,508,462**

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 2019, the Group has unused tax losses of approximately HK$229,127,000 (2018: HK$206,683,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$10,926,000 (2018: HK$8,472,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$218,201,000 (2018: HK$198,211,000) due to the unpredictability of future profit streams.

At 31 March 2019, all unrecognised tax losses may be carried forward indefinitely at the end of each reporting period.

34. PLEDGE OF ASSETS

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

	2019	2018
	HK$	HK$
Property, plant and equipment	**30,749,787**	30,089,724
Bank deposits	**2,118,000**	2,118,000
	32,867,787	32,207,724

35. 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:

	2019 HK$	2018 HK$
Within one year	**5,888,947**	6,585,893
In the second to fifth year inclusive	**19,598,974**	21,846,897
Over five years	**2,448,123**	7,862,224
	27,936,044	36,295,014

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$4,896,000) per year. The lease will expire on 30 September 2024. Rental expenses of the properties for the year amounted to approximately HK$4,896,000 (2018: HK$5,241,000).

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:

	2019 HK$	2018 HK$
Within one year	**30,458,085**	33,013,963
In the second to fifth year inclusive	**51,488,607**	86,827,926
	81,946,692	119,841,889

The properties have committed tenants for a term of one to five years (2018: one to five years) at fixed rental.

36. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong commencing from December, 2000. The assets of the MPF 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 MPF Scheme or HK$1,500, whichever is the lower.

According to the relevant laws and regulations in the Mainland China, the Mainland China 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.

37. RELATED PARTY DISCLOSURES

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

	2019	2018
	HK$	HK$
Interest from promissory notes receivables	**118,177**	209,427
Licence fee income	**1,177,205**	1,555,000

During the year ended 31 March 2016, the Group has entered into 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. Upon its expiry on 29 October 2018, the licence agreement was renewed for one year with licence fee of US$80,000 per annum. 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 two (2018: two) highest paid employees is 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 and related companies are set out in the Group's consolidated statement of financial position and related notes.

Other receivables due from related parties

At 31 March 2019, included in the Group's other receivables are amounts due from the Group's related companies of HK$135,521 (2018: HK$238,889). The related companies are controlled by a director of the Company.

38. SHARE OPTION SCHEMES

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.

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.

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 are 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.

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.

38. SHARE OPTION SCHEMES *(Continued)*

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.

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 are 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.

During the year ended 31 March 2019, additional share options of 6,200,000 and 12,100,000 were granted by the Company to the directors at an initial exercise price of HK$0.3570 and HK$0.3400 per share respectively. During the year ended 31 March 2018, 15,070,000 share options were granted by the Company to the directors at an initial exercise price of HK$0.4430 per share.

At 31 March 2019, the number of shares options held by the directors and employees remained outstanding under the two schemes was 52,670,000 (2018: 39,370,000), which, if exercise in full, the new shares to be issued would represent 8% (2018: 6%) of the enlarged capital of the Company.

38. SHARE OPTION SCHEMES *(Continued)*

The following table sets out the movements of the Company's share options during the year ended 31 March 2019 and 2018:

Eligible person	Date of grant	Fair value of the options at the grant date	Exercise period	Exercise price HK$	Number of options Outstanding as at 1.4.2017	Granted during the year	Lapsed during the year	Outstanding as at 31.3.2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31.3.2019
Directors	30.12.2009	0.153	30.12.2009 to 29.12.2019	0.2820	3,000,000	–	–	3,000,000	–	(1,000,000)	–	**2,000,000**
	6.2.2014	0.074	6.2.2014 to 5.2.2024	0.2320	10,000,000	–	–	10,000,000	–	(2,000,000)	(2,000,000)	**6,000,000**
	23.10.2015	0.307	23.10.2015 to 22.10.2025	0.5600	9,000,000	–	–	9,000,000	–	–	–	**9,000,000**
	23.10.2017	0.254	23.10.2017 to 22.10.2027	0.4430	–	15,070,000	–	15,070,000	–	–	–	**15,070,000**
	6.8.2018	0.340	6.8.2018 to 5.8.2028	0.3570	–	–	–	–	6,200,000	–	–	**6,200,000**
	18.3.2019	0.340	18.3.2019 to 17.3.2029	0.3400	–	–	–	–	12,100,000	–	–	**12,100,000**
					22,000,000	15,070,000	–	37,070,000	18,300,000	(3,000,000)	(2,000,000)	**50,370,000**
Employees and other providing similar services	23.10.2015	0.307	23.10.2015 to 22.10.2025	0.5600	3,100,000	–	(800,000)	2,300,000	–	–	–	**2,300,000**
Exercisable at the end of the year					25,100,000			39,370,000				**52,670,000**
Weighted average exercise price					0.3961	0.4430	0.5600	0.4107	0.3458	0.2487	0.2320	**0.4042**

During the year ended 31 March 2019, share options of 1,000,000 and 2,000,000 which were granted on 20 December 2009 and 6 February 2014 were exercised by a director at HK$0.2320 to HK$0.2820 per share respectively. The weighted average share price at the date of exercise is HK$0.3550.

2,000,000 (2018: 800,000) share options were lapsed during the year ended 31 March 2019. No share options were cancelled during the two years ended 31 March 2019 and 2018.

38. SHARE OPTION SCHEMES *(Continued)*

The fair values of share options granted on 6 August 2018 and 18 March 2019 were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	6,200,000 share options granted on 6 August 2018	**12,100,000 share options granted on 18 March 2019**
Closing price at the date of grant	HK$0.3400	HK$0.3400
Exercise price	HK$0.3570	HK$0.3400
Risk-free rate	2.26%	1.75%
Expected life	10 years	10 years
Expected volatility	60.98%	57.59%
Expected dividend yield	Nil	Nil
Early exercise behaviour	280%	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$3,517,687 (2018: HK$3,833,356) for the year ended 31 March 2019 in relation to share options granted by the Company.

39. CAPITAL COMMITMENT

	2019 HK$	2018 HK$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**465,842**	449,000

40. 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 bank borrowings 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.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	HK$	HK$
Financial assets		
At amortised cost	**34,865,915**	–
Loans and receivables (including cash and cash equivalents)	**–**	41,883,061
Financial assets at FVTPL	**38,460,864**	47,212,282
Financial liabilities		
Amortised cost	**28,629,487**	31,423,167

41. FINANCIAL INSTRUMENTS *(Continued)*

(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 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.

(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 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, which are carried at variable interest rate at the end of the reporting period. The analysis is prepared assuming the amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 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 (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would increase/decrease by approximately HK$111,000 (2018: post-tax profit would decrease/increase by approximately HK$123,000). The is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Price risk

The Group is exposed to price risks arising from financial assets at FVTPL and equity instrument at FVTOCI (2018: AFS investment measured at cost less impairment). 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 financial assets at FVTPL at the end of the reporting period. If the market price of the financial assets at FVTPL had been 15% (2018: 15%) higher/lower while all other variables were held constant, the Group's post-tax loss would decrease/increase by approximately HK$4,817,000 (2018: post-tax profit would increase/decrease by approximately HK$5,913,000), as a result of the changes in fair value of the financial assets at FVTPL.

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 and impairment assessment

As at 31 March 2019, 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.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Limits attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

The management of the Group regularly review and assess the credit quality of the counterparty. Since other receivables are not past due, there has not been a significant increase in credit risk since initial recognition and the Company uses 12m ECL to assess these receivables. In this regard, the management of the Group considers the credit risk on other receivables are not significant after considering the financial background of the counterparty.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk and impairment assessment *(Continued)*

Promissory notes receivables
The management of the Group 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 mitigated in view of management's dedicated effort in monitoring the outstanding balance and positive development on settlement arrangement.

Pledged bank deposits, deposit held with a security broker company, bank deposits and bank balances
The credit risks on pledged bank deposits, deposit held with a security broker company, bank deposits and bank balances are limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on promissory notes receivables representing approximately 23% (2018: 36%) of the Group's financial assets at amortised cost, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets categorised by internal credit rating, which are subject to ECL assessment:

2019	**Notes**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount**
				HK$
Financial assets at amortised cost				
Trade receivables	23	Low risk	Lifetime ECL – not credit impaired	502,205
		Watch list	Lifetime ECL – not credit impaired	606,895
				1,109,100
Other receivables	37	Low risk	12m ECL	135,521
Promissory notes receivables	17	Watch list	12m ECL	8,250,000

The following table shows the reconciliation of loss allowances ECL that has been recognised for promissory notes receivables under the simplified approach.

	12m ECL
	HK$
As at 31 March 2018 under HKAS 39	—
Adjustment upon application of HKFRS 9	—
As at 1 April 2018	—
Changes due to financial instruments recognised as at 1 April:	
— impairment losses recognised	165,000
As at 31 March 2019	**165,000**

41. 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 2019, the Group has available unutilised overdraft and bank borrowing facilities of HK$2,000,000 (2018: 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 tables include both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$	HK$	HK$	HK$	HK$	HK$
2019							
Non-derivative instruments							
Non-interest bearing	**–**	**2,107,012**	**–**	**–**	**–**	**2,107,012**	**2,107,012**
Obligations under finance leases	**3.92**	**313,248**	**211,963**	**152,022**	**–**	**677,233**	**640,408**
Bank borrowings at variable rate	**2.73**	**17,228,037**	**2,878,245**	**7,238,623**	**–**	**27,344,905**	**26,522,475**
		19,648,297	**3,090,208**	**7,390,645**	**–**	**30,129,150**	**29,269,895**

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$	HK$	HK$	HK$	HK$	HK$
2018							
Non-derivative instruments							
Non-interest bearing	–	1,896,231	–	–	–	1,896,231	1,896,231
Obligations under finance leases	4.56	344,492	243,084	141,799	–	729,375	700,994
Bank borrowings at variable rate	2.35	17,523,909	2,872,513	8,616,311	1,675,364	30,688,097	29,526,936
		19,764,632	3,115,597	8,758,110	1,675,364	33,313,703	32,124,161

41. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

Bank borrowings 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 2019, the aggregate amounts of these bank borrowings amounted to HK$14,349,792 (2018: HK$14,645,664).

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$	2–5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
As at 31 March 2019					
Bank borrowings with a repayment on demand clause	**669,638**	**14,146,730**	**–**	**14,816,368**	**14,349,792**
As at 31 March 2018					
Bank borrowings with a repayment on demand clause	676,381	669,638	14,146,730	15,492,749	14,645,664

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

(v) Fair value measurements of financial instruments

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

- the fair values 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 values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Fair value measurements of financial instruments *(Continued)*

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 instrument of the Group that is measured at fair value is the financial assets at FVTPL and is grouped into Level 1 whose fair value measurements are derived from quoted prices (unadjusted) in an active market for identical assets with carrying value of HK$38,460,864 (2018: HK$47,212,282).

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an associate	**Amounts due to related companies**	**Obligations under finance leases**	**Bank borrowings**
	HK$	HK$	HK$	HK$
At 1 April 2017	752,381	713,031	1,062,495	31,906,678
Financing cash flows	(465,000)	(17,955)	(394,758)	(3,150,784)
Finance costs	–	–	33,257	771,042
At 31 March 2018 and 1 April 2018	287,381	695,076	700,994	29,526,936
Financing cash flows	391,000	(15,955)	(368,297)	(3,794,759)
New finance lease	–	–	284,818	–
Finance costs	–	–	22,893	790,298
At 31 March 2019	**678,381**	**679,121**	**640,408**	**26,522,475**

43. FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$	2018 HK$
Non-current assets		
Property, plant and equipment	**50,341**	58,923
Investments in subsidiaries	**64,916,832**	63,222,929
Amounts due from subsidiaries	**189,704,289**	194,225,726
Promissory notes receivables	**–**	3,250,000
Equity instrument at fair value through other comprehensive income	**–**	–
Paintings	**3,921,217**	3,921,217
Available-for-sale investment	**–**	–
	258,592,679	264,678,795
Current assets		
Financial assets at fair value through profit or loss	**755,170**	859,608
Promissory notes receivables	**8,085,000**	12,000,000
Other receivables, deposits and prepayment	**365,905**	268,408
Pledged bank deposits	**2,000,000**	2,000,000
Bank balances and cash	**1,379,596**	2,535,813
	12,585,671	17,663,829
Current liabilities		
Other payables and accrued charges	**2,114,609**	1,652,100
Amounts due to subsidiaries	**3,106,482**	2,744,144
Amounts due to related companies	**774,455**	790,410
Bank borrowings	**2,561,686**	2,500,270
	8,557,232	7,686,924
Non-current liabilities		
Provision for long service payments	**895,900**	895,900
Bank borrowings	**9,610,997**	12,381,002
	10,506,897	13,276,902
Net assets	**252,114,221**	261,378,798
Share capital	**312,890,213**	312,144,213
Reserves (Note)	**(60,775,992)**	(50,765,415)
Total equity	**252,114,221**	261,378,798

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2019 and is signed on its behalf by:

DEREK CHIU	**AMANDA CHIU**
DIRECTOR	*DIRECTOR*

43. FINANCIAL POSITION OF THE COMPANY *(Continued)*

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

	Share option reserve	Accumulated losses	Total
	HK$	HK$	HK$
At 1 April 2017	4,931,956	(54,296,266)	(49,364,310)
Loss and total comprehensive expense for the year	—	(5,234,461)	(5,234,461)
Share-based payment expenses	3,833,356	—	3,833,356
Lapsed share options transferred to accumulated losses	(261,085)	261,085	—
At 31 March 2018	8,504,227	(59,269,642)	(50,765,415)
Loss and total comprehensive expense for the year	—	(13,528,264)	(13,528,264)
Share issued upon exercise of share options (note 31)	(300,660)	300,660	—
Share-based payment expenses	3,517,687	—	3,517,687
Lapsed share options transferred to accumulated losses	(147,660)	147,660	—
At 31 March 2019	**11,573,594**	**(72,349,586)**	**(60,775,992)**

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-term
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-term
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-term
Various agricultural lots in Survey District No. 4 in Lai Chi Kok, Kowloon, Hong Kong	265,579*	100.0%	Agricultural land	Medium-term
Various agricultural lots in DD118, Yuen Long, New Territories, Hong Kong	149,846*	100.0%	Agricultural land	Medium-term
Nasausau & Raramakawa Lots 1 & 2 on N1825, Coral Coast, Viti Levu, Fiji	717,673*	100.0%	Resort	Long lease

Five-Year Financial Summary

RESULTS

	For the year ended 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	52,166	48,919	46,677	52,580	**52,379**
(Loss) profit before taxation	(68,017)	(10,550)	(4,775)	10,059	**(5,743)**
Income tax expense	—	—	—	(2,623)	**(3,852)**
(Loss) profit for the year attributable to owners of the Company	(68,017)	(10,550)	(4,775)	7,436	**(9,595)**

ASSETS AND LIABILITIES

	At 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	345,852	335,742	326,578	340,172	**330,990**
Total liabilities	(57,380)	(52,062)	(47,439)	(46,343)	**(45,951)**
Equity attributable to owners of the Company	288,472	283,680	279,139	293,829	**285,039**