Asia Standard Hotel Group Limited

Annual Report 2022

HKSE Stock Code: 292

Contents

Corporate Information

Directors

Executive

Mr. Poon Jing *(Chairman)*
Dr. Lim Yin Cheng
(Deputy Chairman and Chief Executive)
Mr. Poon Hai
Mr. Poon Yeung, Roderick
Mr. Fung Siu To, Clement
Mr. Woo Wei Chun, Joseph

Independent Non-executive

Mr. Ip Chi Wai
Mr. Leung Wai Keung, *JP*
Mr. Wong Chi Keung

Audit Committee

Mr. Wong Chi Keung *(Chairman)*
Mr. Leung Wai Keung, *JP*
Mr. Ip Chi Wai

Remuneration Committee

Mr. Wong Chi Keung *(Chairman)*
Dr. Lim Yin Cheng
Mr. Ip Chi Wai

Nomination Committee

Mr. Poon Jing *(Chairman)*
Mr. Leung Wai Keung, *JP*
Mr. Wong Chi Keung

Authorised Representatives

Dr. Lim Yin Cheng
Mr. Lee Tai Hay, Dominic

Company Secretary

Mr. Lee Tai Hay, Dominic

Registered Office

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Principal Bankers

HSBC
Bank of China (Hong Kong)
Hang Seng Bank
United Overseas Bank
Industrial and Commercial Bank of China (Asia)
Industrial and Commercial Bank of China (Canada)
Shanghai Commercial Bank
Fubon Bank (Hong Kong)
Chiyu Banking Corporation
Bank of Singapore
Bank Morgan Stanley
UBS
Bank Julius Baer
Credit Suisse AG
Deutsche Bank

Legal Advisers

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95 Queensway,
Hong Kong

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Taikoo Place,
18 Westlands Road,
Quarry Bay, Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building,
Central, Hong Kong

Share Registrar in Bermuda

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41 Cedar Avenue,
Hamilton HM 12,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Financial Highlights

For the year ended 31st March (in HK$ million, except otherwise indicated)	2022	2021	Change
Consolidated profit and loss account			
Revenue	**990**	977	+1%
Operating (loss)/profit	**(660)**	779	N/A
Depreciation	**(126)**	(127)	-1%
Net finance costs	**(130)**	(150)	-13%
(Loss)/profit attributable to shareholders of the Company	**(746)**	622	N/A
(Loss)/earnings per share – basic (HK cents)	**(37.0)**	30.8	N/A
Consolidated balance sheet			
Total assets	**9,114**	12,110	-25%
Net assets	**2,183**	5,078	-57%
Net debt	**5,861**	5,054	+16%

Supplementary information with five hotel properties stated at valuation (note):

Revalued total assets	**17,884**	20,776	-14%
Revalued net assets	**10,952**	13,744	-20%
Gearing – net debt to revalued net assets	**54%**	37%	+17%

Note: According to the Group's accounting policies, the hotel properties were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of hotel properties and excluding the corresponding deferred income tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital gain tax.

The hotel properties were revalued by Vigers Appraisal & Consulting Limited (2021: Vigers), external independent professional valuer, on an open market value basis.

Chairman's Statement

*"**Landmark on Robson**": Sub-penthouse bedroom*

The Group recorded a consolidated loss attributable to shareholders of approximately HK$746 million for the fiscal year ended March 31, 2022, compared to a profit of HK$622 million the previous year. Such loss is primarily attributable to the net investment loss (2021: gain) on our listed debt securities issued by Chinese real estate developers following the liquidity crisis in China's real estate sector. Recent support from the central government for loosening monetary and regulatory policies, along with debt extension/restructuring measures adopted by the affected developers to resolve their liquidity concerns, has helped improve market sentiment and foster stability.

Performances of our hotel operations have improved as a result of the participation of our two Causeway Bay hotels in the quarantine business since September 2021, followed by our Empire Hotel Kowloon in Tsim Sha Tsui at the end of May 2022, and our Empire Hotel Hong Kong anticipated in the coming months. Management will continue to focus on cost savings and operational efficiency until border control measures and quarantine policies are eased, in tandem with the revival of the China and international tourism markets.

Our Landmark on Robson development in Vancouver, Canada is on track to be completed by the end of 2023, with the twin towers' concrete frame structures topped out in May 2022. Our new pre-sales launched in October 2022 is on-going.

Aside from the pandemic threats, financial markets will be buffeted by inflationary pressures and geopolitical uncertainties. Notwithstanding these challenges, the Group's financial position remains healthy, with a revalued net asset value of HK$11 billion, gearing of 54%, and about half of our net debt hedged by interest rate swap at a fixed interbank rate of less than 1%. Moreover, we have successfully consummated the first sustainability-linked bank loan of HK$1.4 billion in May 2022 to refinance all of our unsecured bank borrowings. Management is cautiously optimistic and diligent in the face of these uncertainties.

On behalf of the Board, I would like to express my gratitude to our staff for their invaluable contribution, and our customers, shareholders and the investment community for their support.

Poon, Jing
Chairman

Hong Kong, 29th June 2022

Business Model and Strategies

Asia Standard Hotel is an established hospitality owner, developer and operator which its business is primarily based in Hong Kong. The Group owns and operates five hotels under the "empire hotels" brand; all of them are in core central business districts ("CBDs") of Hong Kong. Our hotels are strategically located in central shopping or business districts. The Group also engages in travel agency operations and financial investment, which contributes to the Group with a diversified source of stable recurring income. Our business diversification thus reduces the adverse impact of market volatility and offsets market cyclicality to which some of our businesses are exposed to.

The Group is focused on enhancing the performance of its core business and is dedicated to maximise value for shareholders through pursuit of attractive investment opportunities with the following strategies:

(i) To expand and grow our hospitality business in prime CBDs of Hong Kong, and to strive for excellence in management and operations

The Group's five hotels in Hong Kong are strategically located within core CBDs and are targeted at business travelers as well as visitors from Mainland China. Our hospitality chain has a centralised management team to optimise revenue generation and to ensure efficient deployment of resources for achieving maximum cost benefit. In particular, our "Empire Hotel Hong Kong" in Wanchai benefits from high occupancy and room rates due to its proximity to the Hong Kong Convention and Exhibition Centre. The prime locations allow us to cater to both business visitors and tourists, which has led us to maintain a high occupancy and revenue per available room at our hotels.

(ii) To build our reputation and track record of premium property development, initially in Vancouver, Canada

Our development strategy is to continue to invest in Vancouver, Canada. We will expand the real estate business through carefully selected opportunities in luxury as well as mass market residential development, and will continue to look for opportunities to increase our presence in different regions, leveraging our expertise as a premium hotel developer with an international standard.

(iii) Focus on profitable growth on the Company's solid recurring income from its investment portfolio

The Group has a stable investment portfolio generating a recurring and steady income stream. The Group's investment portfolio provides a liquidity buffer and recurring income as well as a diversified cash flow stream, enabling us to finance existing hotel extension projects and seize potential investment as opportunities arise.

(iv) Continue to manage risk effectively, through a prudent financial management policy

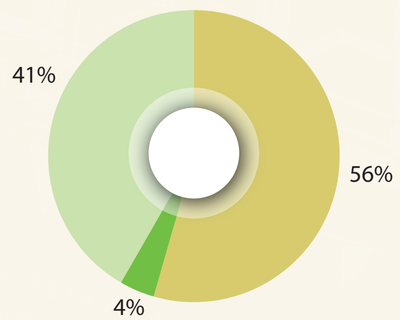
The Group aims to monitor risk and manage exposures to a range of debt maturities and a range of debt types in a disciplined and prudent manner. The Group strives to maintain a strong financial position with a healthy level of liquidity and gearing.

We are confident that our strategies will deliver maximum value to the shareholders in the long term.

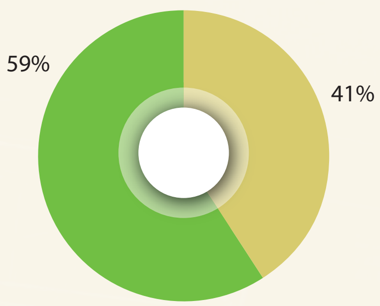
Management Discussion and Analysis

Results

The Group's revenue for the fiscal year ended 31st March 2022 was HK$990 million, an increase of 1% compared to the previous year. A loss attributable to shareholders of HK$746 million was recorded as opposed to a profit of HK$622 million from the previous year. Such loss is primarily attributable to the net investment loss (2021: gain) for the year, which consists of net unrealised loss and an increase in the provision of expected credit loss on listed debt securities due to the liquidity crisis experienced by the PRC real estate sector.



Principal properties	Attributable gross floor area (sq.ft.)
Hotel properties	577,000
Residential	786,200
Office and retail	50,000
Total	1,413,200



Hong Kong	577,000
Canada	836,000
Total	1,413,200

*"**Landmark on Robson**": Penthouse*

Hotel Business

Travel restrictions across borders continue to have a significant impact on the hospitality industry. According to the Hong Kong Tourism Board, fewer than 0.1 million people visited Hong Kong during the reviewed fiscal year and the two preceding fiscal years. However, the total number of hotel rooms in Hong Kong as of March 2022 has increased by 2% over the same period last year, reaching 88,968.

The Group was able to improve the performance of its hotels when compared with last year despite a variety of constraints, with occupancy rates and average room rates increased by 20% and 38%, respectively, and revenue increased by approximately 162%. This was primarily driven by the quarantine businesses for two of our hotels in Causeway Bay. Shortly after the balance sheet date, our Empire Hotel Kowloon in Tsim Sha Tsui also participated as a quarantine hotel at the end of May 2022, and it is anticipated that our Empire Hotel Hong Kong in Wan Chai will follow suit in the fourth quarter of 2022. Hotel management is acutely aware of the challenges that continue as the uncertainty associated with COVID-19 infections persists, and is continuously planning and implementing initiatives to enhance occupancy and ensure a consistent revenue stream during the Pandemic. Furthermore, management will adhere to strict cost-cutting measures and defer non-essential capital expenditures.

Property Development

The Group's wholly-owned "Landmark On Robson" residential development in Vancouver's central district has a GFA of approximately 400,000 square feet and comprises 236 residential units in two towers, as well as a 50,000 square feet of retail and office spaces, and a four-level underground parking facility. The twin towers' concrete structure has been topped out in May 2022, and the interior renovations are currently underway, with a projected completion date of the end of 2023. As a result of the sustained improvement in the real estate market sentiment and the subsiding of the COVID, we had commenced a new round of pre-sales since October 2021. As of 31st March 2022, a total of approximately CAD180 million in contracted sales of residential units in this development has been achieved.

Management Discussion and Analysis

Another developable site adjacent to the Landmark On Robson remains in the development planning stage.

Concerning the Group's two joint venture residential developments on Alberni Street, namely 1488 Alberni and 1650 Alberni, the former is preparing for a detailed construction plan, with a marketing campaign under preparation for launch prior to the City enacting the rezoning and issuing a development permit, and the latter has obtained rezoning approval in December 2021 following a public hearing, and an application for a development permit was submitted in March 2022.

*"**Landmark on Robson**" : topped out in May 2022*

Financial Investments

The Group's financial investment portfolio, which consist almost entirely of listed securities as of 31st March 2022, amounted to HK$3,021 million (31st March 2021: HK$6,660 million), a decrease of HK$3,639 million from the previous year. Approximately 93% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 6% comprised listed banking stock, and 1% in unlisted funds. They were denominated in United States dollars 50%, Renminbi 44% and Hong Kong dollars 6%.

During the year, a total of HK$908 million (2021: HK$937 million) in interest and dividend income were generated from the investment portfolio. A net investment loss of HK$1,367 million (2021: a net gain of HK$66 million) comprising provision of expected credit loss and net unrealised loss on financial investments for the period, was charged to profit and loss account while the mark-to-market valuation loss on listed debt securities of HK$2,252 million (2021: a net gain of HK$832 million) were recognised in the investment reserve account.

Management Discussion and Analysis

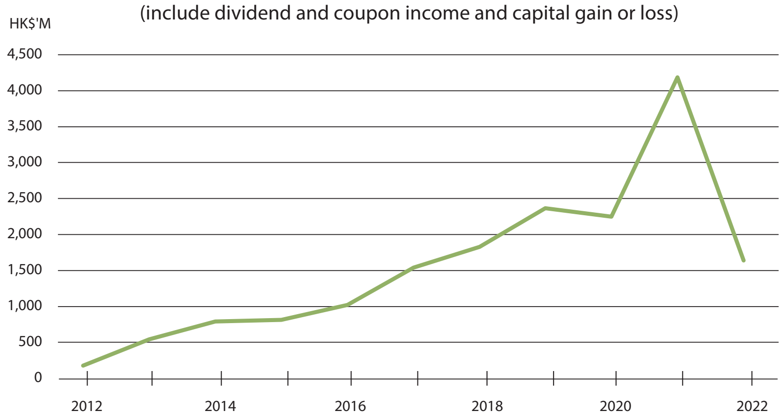
The decrease in portfolio value and the net investment loss incurred during the period were primarily the result of expected credit losses and mark-to-market fair value losses on our listed debt securities issued by PRC real estate. This crisis was precipitated by the government's intensified efforts to limit developers' leverage last year, which had a negative impact on the overall real estate sector and had affected market confidence. Since then, the government has consistently shared reassuring signals as a moderate adjustment to the previously stricter regulations. Several real estate developers, by extending/restructuring their debts, have effectively addressed their liquidity issues. This entails an extension of loan maturity, with amortisation over the tenor, and coupon rates unchanged or reduced without any principal haircut on the debt. Other Chinese developers are pursuing similar solutions.

Financial Review

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. At 31st March 2022, the Group had about HK$2.8 billion cash and undrawn banking facilities.

The Group's total assets and net assets per book amounted to HK$9,114 million (31st March 2021: HK$12,110 million) and HK$2,183 million (31st March 2021: HK$5,078 million), respectively, with the decreases primarily due to mark-to-market unrealised fair value changes from certain financial investments (mostly listed debt securities) recognised in other comprehensive income under shareholders' equity. According to independent valuation, the total revalued amount of our hotel properties in Hong Kong as of 31st March 2022 was HK$11,424 million (31st March 2021: HK$11,405 million). Taking into account the market value of the hotel properties in operation, the Group's revalued total assets and net assets with hotel properties in Hong Kong at market value would be HK$17,884 million (31st March 2021: HK$20,776 million) and HK$10,952 million (31st March 2021: HK$13,744 million), respectively.

Cumulative return from financial investments
(include dividend and coupon income and capital gain or loss)



Management Discussion and Analysis

The total debt comprised HK$6,213 million of bank borrowings and HK$240 million of convertible notes. 93% of the gross bank borrowings, or HK$5,806 million, were denominated in Hong Kong dollars, with about 43% hedged against interest rate fluctuations through various interest rate swap contracts totaling HK$2,700 million, which the Group entered into last year. The remaining 7% or to the equivalent of HK$407 million was in foreign currencies incurred in operations and investment in financial assets overseas.

Of the total bank borrowings, 16% were revolving loans (all of which is secured), 68% were secured term loans, and the remaining 16% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 38% repayable within one year, 45% repayable between one to two years, and 17% repayable within two to five years. Subsequent to the balance sheet date, all the unsecured bank borrowings repayable within one year were repaid and refinanced through the drawdown of a HK$1.4 billion four-year long-term sustainability linked loan facility. This is the Group's first sustainability-linked loan facility provided by 6 syndicated banks led by HSBC and Bank of China as coordinators and sustainability structuring banks, with the predefined environmental-related sustainability performance criteria comprising reduction in energy and water consumption at all the hotels of the Group. The unsecured convertible notes comprising 4% of total debt are held almost entirely by the parent groups, and are repayable in February 2047.

The consolidated net debt (total debt less cash balance) was HK$5,861 million (31st March 2021: HK$5,054 million). The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 54% (31st March 2021: 37%).

At 31st March 2022, the Group had net current assets of HK$1,999 million (31st March 2021: HK$4,240 million), and bank balances together with listed marketable securities of HK$3,557 million represent 1.5 times of the bank borrowings of HK$2,365 million due within 12 months.

The carrying value of hotel properties, property under development for sale and financial assets pledged as collateral for banking facilities of the Group as at 31st March 2022 amounted to HK$4,333 million (31st March 2021: HK$4,774 million).

Revalued total assets*, revalued net assets* , net debt and net gearing

* with hotel properties stated at valuation

Human Resources

As of 31st March 2022, the total number of full-time employees of the Company and its subsidiaries was approximately 190 (31st March 2021: 180). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

Outlook

The international tourism market is recovering from the pandemic, and management will continue to closely monitor market conditions, the most recent border control measures, and mandatory quarantine policies, as well as fine-tune the operating strategy and tighten cost control, to ensure adequate and long-term future preparation.

China's real estate sector is receiving increased support from the central government, in addition to promoting market stability and healthy real estate development, through a combination of lower mortgage rates, lower down payment requirements, and loosened buying restrictions, with the goal of laying the groundwork for a rebound in housing demand following the debt-ridden crisis that eroded market sentiment. Furthermore, mainland real estate developers are addressing their liquidity issues by accelerating asset sales, injecting funds from major shareholders, and rationalising loan maturity profiles.

Vancouver's housing market in British Columbia, Canada, is fueled by rising incomes and immigration. According to the most recent statistics from Statistics Canada, British Columbia continues to lead the nation in economic recovery, regaining all jobs lost at the onset of the COVID-19 pandemic and achieving the highest job recovery rate in all of Canada (103.2%). In addition, the number of people who moved to British Columbia broke a record in 2021, with net migration exceeding 100,000, the highest annual total since 1961.

Aside from pandemic concerns, the Ukraine war continues to exacerbate global inflationary pressures that weigh on the sentiment of the global financial markets, weakening short-term economic prospects. Management will closely monitor macroeconomic events and potential threats to the outlook, and will stay cautiously optimistic about the Group's performance in a constantly changing environment.

Five-year Financial Summary

Year ended 31st March (in HK$ million)	2022	2021	2020	2019	2018
Results					
Revenue	**990**	977	1,123	1,199	843
Gross profit	**949**	950	929	950	604
Depreciation	**(126)**	(127)	(135)	(113)	(121)
Net investment (loss)/gain	**(1,367)**	66	(47)	(134)	(59)
Net finance costs	**(130)**	(150)	(227)	(183)	(82)
(Loss)/profit for the year attributable to shareholders of the Company	**(746)**	622	383	340	172
Assets and liabilities					
Total assets	**9,114**	12,110	10,689	11,512	9,101
Total liabilities	**(6,931)**	(7,032)	(7,170)	(7,319)	(5,182)
Non-controlling interests	**(3)**	(1)	4	2	–
Equity attributable to shareholders of the Company	**2,180**	5,077	3,523	4,195	3,919

Supplementary information with hotel properties stated at valuation:					
Revalued total assets	**17,884**	20,776	19,527	20,892	17,410
Revalued net assets	**10,952**	13,744	12,358	13,574	12,227

Principal Properties

		Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Land lease expiry
Hotel Properties					
01	**Empire Hotel Hong Kong** 33 Hennessy Road, Wanchai, Hong Kong	100%	10,600	184,000 (363 rooms)	2062
02	**Empire Hotel Kowloon** 62 Kimberley Road, Tsim Sha Tsui, Kowloon	100%	11,400	220,000 (343 rooms)	2047
03	**Empire Hotel Causeway Bay** 8 Wing Hing Street, Causeway Bay, Hong Kong	100%	6,200	108,000 (280 rooms)	2072
04	**Empire Prestige Causeway Bay** 8A Wing Hing Street, Causeway Bay, Hong Kong	100%	2,000	31,000 (94 rooms)	2072
05	**Empire Prestige Tsim Sha Tsui** 8 Kimberley Street, Tsim Sha Tsui, Kowloon	100%	2,800	34,000 (90 rooms)	2038

		Group's interest	Approx. site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Type	Stage
Properties Under Development for Sale						
06	**Landmark on Robson** 1400 Robson Street Vancouver, B.C., Canada (expected completion in 2023)	100%	41,000	400,000	Residential/ Commercial	Superstructure construction
07	1394 Robson Street Vancouver, B.C., Canada	100%	8,600	75,000	Residential	Planning
08	1488 Alberni Street Vancouver, B.C., Canada	40%	43,300	627,000	Residential	Planning
09	1650 Alberni Street Vancouver, B.C., Canada	40%	17,300	276,000	Residential	Planning

Environmental, Social and Governance Report

Reporting Standard and Scope

This ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT covers the financial year ended 31st March 2022 (the "reporting year") and addresses all the "comply or explain' provisions under each Aspect of the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Board Statement

The Group views sustainability as a long-term wealth creation strategy. We aspire to contribute to a more sustainable future by integrating environmental, social, and governance (ESG) principles into our operations and management. This ESG report is approved by the Board of Directors, which also oversee the incorporation of ESG strategies, policies, procedures, and initiatives into the Group's business operations for the purpose of enhancing its long-term viability, performance, and advancement.

Through our stakeholder engagement strategy, we aim to gain a deeper understanding of the ESG issues that matter most to our stakeholders by identifying and prioritising our most pressing ESG concerns. The compiled list of significant ESG challenges will be incorporated into the Group's commercial strategy and ESG initiatives.

During the year under review, the Group enhanced the disclosure of socially relevant key performance indicators (KPIs) as required by the Listing Rules. Furthermore, we have incorporated sustainable finance as a fundamental component of our ESG approach throughout the lifecycle of our Group. In May 2022, the Group successfully obtained its first HK$1.4 billion four-year sustainability-linked loan facility. The loan facility was provided by six syndicated banks, led by HSBC and Bank of China as coordinators and sustainability structuring banks, with an interest rate discount linked to the annual achievement of the predefined environmental-related sustainability performance criteria, including a reduction in energy and water consumption at all of the Group's hotels. The Hong Kong Quality Assurance Agency (HKQAA), an independent verification body, has been commissioned with reviewing the hotels' overall sustainability strategies and goals, choosing the proper KPIs, establishing the review procedure, and reporting on actions and progress consistent with the sustainability context.

Reporting Principles

The content of the ESG Report follows the reporting principles of the ESG Reporting Guide.

Materiality: The materiality of the respective aspects has been identified and prioritised by the Board and senior managers. The result can be found in the sections "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The ESG Report follows the ESG Reporting Guide and KPIs in quantitative terms are disclosed whenever appropriate.

Balance: The ESG Report has been reviewed and approved by the Board and senior managers to ensure that the information presented is unbiased and as accurate as possible.

Consistency: The ESG Report has been prepared in the same manner as previous financial year for meaningful comparison of the Group's disclosure and KPIs.

Reporting Boundary

The ESG Report covers the Group's core business and principal operations in Hong Kong and Canada. Unless otherwise states, the operations include property development and hotel operation.

Stakeholder Engagement

The Group has always maintained a strong relationship with stakeholders through constant communications and understanding of their concerns regarding the ESG related issues. Knowing stakeholders' expectations and concerns is very important to management strategy and sustainable development. The table below shows different communications channels and engagement methods with our stakeholders:

Stakeholders	Communication Channel
Shareholders and investors	• Annual general meeting • Annual and interim reports • Circulars and announcements • Company website
Employees	• Staff appraisals • Team activities
Customers/Tenants	• Website • Messaging/Email • Community • Phone/Customer hotline • Face to face communication
Suppliers and partners	• Business meetings • Phone calls and emails • Site visits
Regulatory bodies and government authorities	• On-site inspections • Financial reports • Website • Legal advisor

Materiality Assessment

The Group engaged with stakeholders to understand their expectations and concerns through different communication channels. We conducted a materiality assessment and identified important sustainability issues. The results of the material ESG aspect of the Group is as follow:

ESG aspect	Material sustainability issues
Environmental	• Reduce Greenhouse gas emission • Waste management
Employment and Labour Standards	• Employment • Health and Safety • Development and training
Operating Practices	• Supply chain management • Tenant and customer satisfaction • Anti-Corruption and anti-money laundering
Community	• Community investment

Environmental Protection

A1 Emissions

The Group did not generate significant greenhouse gas emissions as the emissions were indirectly and principally generated from electricity and gases consumed at the workplace, vehicles and business travel by employees.

The Group did not generate hazardous waste from its business operations; discharges of water and non-hazardous waste were divided into recyclable or non-recyclable waste and handled in an environmentally responsible manner in line with the applicable environmental protection laws and regulations whenever practicable.

We encourage employees to pay due attention to energy saving measures and explore new ideas for energy saving while performing their duties.

During the reporting year, the Group was not subject to any environmental penalty.

Table – A1.1 Air Emissions in Total

	2022	2021
NOx emissions (i) (kg)	**30.25**	15.89
SOx emissions (i) (kg)	**0.28**	0.21
PM emissions (ii) (kg)	**0.40**	0.33

(i) The data includes emissions from gaseous fuel consumption and vehicular emissions
(ii) The data only includes vehicular emissions

Table – A1.2 Greenhouse Gas Emissions Data

	2022	2021
Scope 1 emissions (tonnes)	**185**	99
Scope 2 emissions (tonnes)	**9,184**	7,594
Scope 3 emissions (tonnes)	**48**	43
Total Greenhouse Gas Emissions (tonnes)	**9,417**	7,736

During the fiscal year, the rise in hotel room occupancy has led to an increase in the demand for energy, which has in turn led to an increase in air and greenhouse gases emission. Furthermore, the Group has expanded the capacity of its ventilation and exhaust fan systems in its hotels to comply with the quarantine program and for general epidemic prevention, resulting in an increase in energy consumption.

Table – A1.4 Non-hazardous Waste Produced

	2022	2021
Construction and demolition waste (tonnes)	**316**	134
Construction material consumed – concrete (m^3)	**11,840**	11,010
Construction material consumed – steel (tonnes)	**2,016**	1,956
Construction material consumed – timber (m^3)	**319**	322
Recycled construction materials waste (tonnes)	**909**	642
Recycled used cartridges (pieces)	**67**	55
Recycled used cooking oil (liters)	**540**	441

A2 Use of Resources

In the hotel operation, air conditioning and lighting are the main contributors to the Group's carbon footprint. In recent years, the Group has increased its environmental initiatives to maximise energy conservation by promoting resource efficiency, energy savings, and emission reduction.

Daily monitoring of energy and fuel consumption to identify areas for energy conservation is in place. Phased replacements of fan coil units, air handling units, laundry and kitchen equipment, electrical appliances and lighting have been enhanced to more energy-efficient models.

The Group will continue to assess and record its water consumption data annually and compare it with last year's data to assist the Group in further developing our reduction targets in the future.

The rise in the Group's overall energy and water consumption for the fiscal year was attributed to higher hotel room occupancy rates, resulting in increased energy and water demand. Furthermore, the Group has expanded the capacity of its ventilation and exhaust fan systems in its hotels to comply with the quarantine program and for general epidemic prevention, resulting in an increase in energy consumption. By adjusting the Group's total gross floor area to account for the occupied gross floor area based on the number of occupied rooms in our hotels, the direct energy and water consumption intensities decreased by 10% and 19%, respectively, in FY21/22 compared to FY20/21.

Table – A2.1 Direct & Indirect Energy Consumption & Intensity

	2022	2021
Gross Floor Area ("GFA") ('000 m^2)	**55**	55
Total direct energy consumption — electricity ('000 kWh)	**13,206**	10,779
(kWh per m^2)	**241**	196
Total indirect energy consumption — fuel ('000 MJ)	**6,172**	2,838
(MJ per m^2)	**112**	52

Table – A2.2 Water Consumption & Intensity

		2022	2021
Water consumption	('000 m^3)	**82**	73
	(m^3 per m^2)	**1.5**	1.3

A3 The Environment and Natural Resources

Hotel business

To minimise waste generation, the Group incorporated various environmental initiatives into its hotel operations through working with our employees, guests and contractors to reuse and recycle waste whenever economically practicable. For instance, water consumption is reduced through our green programme for guestroom linens. We have placed green cards in our guestrooms, informing guests that the hotel will change towels and bedsheets upon request. We have appointed contractors to handle used cooking-oil from our restaurants.

To reduce paper consumption, we maximise the use of electronic communications and file storage systems for general office work, guest logs and daily reports and whenever possible, we use e-confirmations for guest reservations. In addition, the Group encourages the use of recycled paper for printing and copying, double-sided printing and copying, as well as a reduction in energy consumption by switching off idle lighting, air conditioning, and electrical appliances.

Property Development

The Group, as a conscientious developer takes environmental concerns into account during the design and building of our projects. In addition, we recognise the growing significance of our efforts to limit the environmental impact of our development activities, improve property resilience, and construct dependable, healthy, and secure communities.

The initiatives indicated in the City of Vancouver Greenest City 2020 Action Plan* and the specific directions outlined in the West End Community Plan# have been considered and incorporated into the sustainability goals of the "Landmark on Robson" residential development in Vancouver, Canada. The purpose of these objectives is to ensure that the development would be environmentally conscious.

* Greenest City 2020 Action Plan (GCAP) is a decade-long effort of the City of Vancouver to make Vancouver a greener place to live, work, and play. The plan sets ambitious goals to reduce air pollution and waste, foster energy-efficient construction and improve the city's natural environment.

\# The policy framework in the West End Community Plan adopted by Vancouver City Council provides clarity on the appropriate character, scale, and land uses; identifies areas for growth, revitalisation, and change; and identifies a strategy for providing new amenities and renewing or expanding existing public facilities. The policy directions in the plan will be realised through a variety of approaches, initiatives, tools, and partnerships with community and business groups.

The Group's operational activities do not have significant impacts on the environment and natural resources, and we shall ensure compliance with all applicable environmental related legislations and regulations.

A4 Climate Change

The impact of climate change is becoming significantly obvious across the globe. Many countries have already taken actions to contribute to greenhouse gas reduction. According to Hong Kong's Climate Action Plan 2050, the government would strive to achieve carbon neutrality before 2050.

In an attempt to adapt our operations to climate change, we strive to identify and analyse climate change risks and opportunities, and to reduce carbon emissions in our operations whenever feasible by promoting the use of energy-efficient and low-carbon materials and products.

As a real estate developer, hotel operator, investor, and owner, catastrophic occurrences such as major typhoons and flooding are the primary source of acute physical dangers connected with climate change. Costs associated with insuring, maintaining, and repairing damaged property might rise. Natural resource availability, sourcing, and quality; food security; and extreme temperature variations might affect our financial performance. We'll periodically review climate-related risks in an effort to increase our resiliency wherever possible.

Social Aspect

B1 Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Employee handbook outlines terms and conditions of employment, expectations for employees' behaviour and service delivery, and employees' rights and benefits. We establish and implement policies that promote a fair and respectful workplace. We provide ongoing training and development opportunities to enhance our employees' career progression.

As of 31st March 2022, a total of 189 individuals were employed. The gender, age range, employee category, and location of the employee are illustrated below.

B1.1 Total workforce by gender, employment type, age group and geographical region

	31st March 2022
By gender	
Male	97
Female	92
By age group	
Under 30 years old	26
30 — 50 years old	100
Over 50 years old	63
By employment type	
Full-time	186
Part-time	3
By geographical region	
Hong Kong	184
Canada	5

Environmental, Social and Governance Report

The total staff turnover rate for the fiscal year ended 31st March 2022 was approximately 45%. Employee turnover rates are shown below by gender, age group, and geographic area.

B1.2 Employee turnover rate

	2022
Total employee turnover	80
Overall employee turnover rate	45%
By gender	
Male	60%
Female	48%
By age group	
Under 30 years old	88%
30 - 50 years old	42%
Over 50 years old	24%
By geographical region	
Hong Kong	44%
Canada	59%

B2 Health and Safety

The Group values the health and wellbeing of staff. In order to provide employees with health coverage, staff are entitled to benefits including medical insurance and other competitive fringe benefits.

Fire hazards pose significant threats, and all our staff are thoroughly briefed on our Fire Safety Guidelines. Newly joined employees also receive comprehensive orientation on the work safety procedures of the Group.

The Group complied with all the relevant laws and regulations that had a significant impact on the Group relating to health and safety during the year ended 31st March 2022.

An extra raft of anti-epidemic measures against COVID-19 has been implemented to safeguard the health and safety of our staff members and guests. These include the usage of video conferencing and adopting specific work arrangements for all employees, such as working from home and splitting teams to work at different locations, stepping up of environmental hygiene and sanitation procedures within hotel premises; the installation of thermographic turrets at entrances for measuring body temperature; the provision of disposable face masks to employees and hand sanitizers in all public areas; enforcing Health Declaration on Check-in and the government's "Leave Home Safe" risk-exposure app; and the distribution of Health Advice on Prevention of Severe Respiratory Disease for hotel guests.

Our quarantine hotels' essential hardware, such as ventilation and exhaust fan systems, toilet facilities, and drainage systems, must also adhere to stricter regulations in order to prevent epidemics. Additionally, our staff must complete in-depth and pertinent infection control training courses that are organised and/or specified by the department of health in order to perform cleaning and disinfection duties.

The Group shall continue to closely monitor and observe the governmental rules and regulations in the fight against COVID-19.

B2.1 Number and rate of work-related fatalities

	2022
Number of work-related fatalities	0
Rate of work-related fatalities	0%

B2.2 Lost days due to work injury

Number of lost days	39

B3 Development and Training

Critical to the long-term success of the Group's operations are the competencies of its personnel. The Group strives to continuously develop its staff and organises programmes based on their business needs, including on-the-job and appropriate external and internal training opportunities, as well as career advancement opportunities for both management and operational staff, who can also apply for educational sponsorships to pursue external professional courses. Besides, employees' environmental awareness and commitment are also boosted by the Group's emphasis on energy-saving measures and innovative ideas on energy conservation while they are at work.

During the reporting year, the Group's hotel operations delivered an extensive array of training programmes for its staff, including issues such as occupational health and safety, food safety, hotel operating standards, computer literacy, first aid, customer service, fire and emergency response, and COVID-19 prevention. Moreover, the hotel group's management team and all operating staff from our designated quarantine hotels (representing more than 30% of our total number of staff within the Group's hotel operations) received considerable training from various specialised government departments covering "room cleaning & disinfection" and "infection control training" to meet the highest hygiene standards and meet stringent infection-control requirements on the facilities and workflow design.

Employee performance review is a critical component of the talent pool's long-term growth. At the conclusion of the year, employees' performance is evaluated.

Through these programmes, the Group seeks to grow together with its employees.

B3.1 Percentage of employees trained by gender and employee category

	31st March 2022
By gender	
Male	69%
Female	53%
By employee category	
Senior management	44%
Middle management	58%
General staff	72%

B3.2 Average training hours completed per employee by gender and employee category

By gender	(hours)
Male	30,40
Female	40-50
By employee category	
Senior management	2-10
Middle management	30-40
General staff	45-55

B4 Labour Standard

The Group has complied with all the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

B5 Supply Chain Management

The Group appreciates the importance of maintaining a good relationship with its suppliers to meet its immediate and long-term business goals. Most of the Group's procurements have undergone a tender process. The Group implements a just and fair tender process to ensure adequate competition and adopts a series of assessment methods in relation to supplier management to ensure the quality of its supplied products and services during the performance process.

Hospitality

The Group works closely with a number of suppliers to provide a range of hospitality goods, including guestroom consumables, tableware, furniture, and foods and beverages. The Group assures their performance in delivering quality sustainable products and services through the supplier approval process and by spot checks on the delivered goods.

To enhance our procurement of environmentally responsible items, we continue to review options to purchase more products from organic and/or sustainably managed sources, environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

Property Development

The Group has adopted high standards for all building materials in our premises construction, and will continue to review options to purchase more products from environmentally superior products, as well as local or regional companies to reduce the environmental impact of their manufacture and transportation.

During the reporting year, there was no circumstance of any event between the Group and its suppliers which had a significant impact on the Group's business and on which the Group's success depends.

B5.1 Number of suppliers by geographical region

	31st March 2022
Hong Kong/PRC	>350
Canada	>300

B6 Product Responsibility

Our catering operations adhere to all relevant legislations.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws and regulations, which have a significant impact on the Group.

During the reporting year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Data Privacy

We only collect personal data for operational needs and clearly inform all customers or people about the intended use of the data and their rights to review and revise their information. All collected personal data is treated as confidential and kept securely, accessible by designated personnel only.

During the reporting year, there were no substantiated complaints received concerning breaches of customer privacy and losses of customer data.

B7 Anti-corruption

We do not tolerate any form of corruption or malpractice such as bribery, extortion and fraud. Expected professional conduct at the workplace is outlined in the employee handbook.

During the reporting year, there were no reported cases of corruption and non-compliance with any rules and regulations as regards anti-corruption such as the Prevention of Bribery Ordinance.

B8 Community Investment

We are committed to making a positive contribution to the society and communities in Hong Kong, a place in which we operate and have grown over time. Focusing on our corporate social responsibility and effort on imminent and important social issues, we endeavour to contribute, support and help to provide for those who most need a great place to live, learn and grow.

Caring for Society

"The Art of Caring" Community Care Program

The Hong Kong Council of Social Service (HKCSS) awarded The Empire Hotels with the "10 Years Plus Caring Company Logo" in recognition of the "The Art of Caring" community care programme launched in 2009 in partnership with SAHK, a rehabilitation service organisation that aids in the education and rehabilitation of children and adolescents with special needs.

SAHK x "Zero to Hero" Charity Film Show at Premiere Elements cinema. The movie is a biopic tribute to So Wa Wai, Hong Kong's first Paralympic athlete who overcame his physical disadvantage and personal struggles to win a gold medal.

Amidst the gradual easing of anti-epidemic curbs and social-distancing measures, the Hotel Group renewed its efforts in contributing to and supporting a number of charity projects of our NGO partner, SAHK as part of "The Art of Caring" Community Care Program. These are: sponsorship to SAHK x "Zero to Hero" Charity Film Show on 7th November, 2021; a charity purchase from mμse casa and a Christmas cupcake workshop.

The Hotel Group made a charity purchase from mμse casa, a brand created by SAHK in April 2021 in support of the rehabilitation of its physically-challenged members in producing hand-crafted home decorative items for sale to the public.

***Empire Hotels'** sponsorship to SAHK x "Zero to Hero" Charity Film Show*

In addition, a Cupcake Workshop was organized in celebration of Christmas at SAHK Wang Tau Hom Pre-school on 10th December, 2021.

On the property development front, our Landmark On Robson residential development project in downtown Vancouver contains 83 city-owned public housing units, or 20% of the overall floor space ratio of the entire development, within the two high-rise buildings above the commercial podium. This is part of the Group's commitment to the development project supporting the West End Community Plan in Vancouver, which addresses the housing and community needs caused by a rising population and deteriorating public amenities.

Hotel representatives together with parent-and-kid participants in making Christmas cupcakes.

Charity Activities

The Group has during the reporting year made donations of HK$482,000 to a number of charitable organisations, such as Dharma Drum Mountain Foundation, Suicide Prevention Services Ltd, SAHK.

Community Recognition

Notwithstanding our recognition as Caring Company for over a decade, we will strive to keep up our dedication and commitment to society and communities through different avenues in the times ahead.

Corporate Governance Practices

The Company is committed to sustaining its corporate governance standards by emphasising transparency, independence, accountability, responsibility and fairness with reference to the Principles and Code Provisions set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company exercises corporate governance through the board of Directors (the "Board") and various committees.

Board of Directors

The Board consists of six Executive Directors and three Independent Non-executive Directors. The posts of Chairman and Chief Executive are separate and are not held by the same individual. The Chairman, Mr. Poon Jing, is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The Chief Executive and Deputy Chairman, Dr. Lim Yin Cheng, is responsible for managing the Group's business. The biographical details and relationship of the Directors are disclosed in the biography of Directors set out in the Directors and Senior Management section.

According to the bye-laws of the Company (the "Bye-Laws"), at every annual general meeting of the Company ("AGM"), one-third of the Directors (other than the Chairman and the Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office by rotation. Pursuant to the Code, the Chairman and the Managing Director shall also retire at the AGM every three years. A retiring Director shall be eligible for re-election at the meeting.

The Board meets regularly and normally quarterly and is responsible for the formulation and reviewing of long-term business directions and strategies, monitoring the operations and financial performance of the Group and performing corporate governance functions set out in the Code. It also considers and approves future strategic plans and budgets for the Group. The management is delegated with the authority to make decisions and responsible for daily operations of the Group under the leadership of the Chief Executive. The management provides explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put forward to the Board for approval. The Chief Executive, working with the other Executive Directors and the head of each division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group. All Executive Directors have made full and active contributions to the affairs of the Board.

During the year, the Board has reviewed the Company's policies and practices on corporate governance, and reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

Corporate Governance Report

Directors' Responsibility in Respect of the Financial Statements

The Directors are responsible for selecting and consistently applying appropriate accounting policies and preparing financial statements which give a true and fair view. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment to annual and interim reports, other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Attendance Record of Directors at Board and General Meetings

During the year, the Board held four meetings. The Directors of the Board and the attendance of each Director at the Board meetings and the general meetings of the Company held during the year are as follows:

		Number of meetings attended/ Number of meetings held	
Director	**Title**	**Board meeting**	**General meeting**
Mr. Poon Jing	Chairman	3/4	0/1
Dr. Lim Yin Cheng	Deputy Chairman and Chief Executive	4/4	1/1
Mr. Poon Hai	Executive Director	4/4	1/1
Mr. Poon Yeung, Roderick	Executive Director	2/4	1/1
Mr. Fung Siu To, Clement	Executive Director	4/4	1/1
Mr. Woo Wei Chun, Joseph	Executive Director	4/4	1/1
Mr. Ip Chi Wai	Independent Non-executive Director	4/4	1/1
Mr. Leung Wai Keung	Independent Non-executive Director	4/4	1/1
Mr. Wong Chi Keung	Independent Non-executive Director	4/4	1/1

Board Diversity Policy and Nomination Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company seeks to achieve Board diversity through the consideration of a number of factors and measurable criteria, including but not limited to gender, age, cultural and education background, industry experience, qualifications, skills, knowledge, and professional ethics. Details of workforce by gender and age of the Group are set out in the section "Environmental, Social and Governance Report". The Group will strive to maintain gender diversity when recruiting and selecting key management and other personnel across the Group's operations. To enhance the gender diversity of the Board, the Company intends to appoint at least one female Director in accordance with the prescribed timeline under the Listing Rules.

The Company has specific procedures for identifying, assessing and nominating suitable candidates for appointment as a new director of the Company in addition to the incumbents or to fill a vacancy. Nomination shall be based on merit and consideration of objective criteria of the candidates' potential contributions to the Board and the Company, having due regard for the benefits of diversity on the Board and other relevant requirements under the Listing Rules. Selected individuals shall be evaluated against the desired criteria with consideration of factors, such as gender, age, cultural and education background, industry experience, qualifications, skills, knowledge, and professional ethics of the candidates.

During the year, the Board established the Nomination Committee which shall be responsible for reviewing the composition and diversity of the Board, the nomination and appointment of new Directors, and the assessment of the independence of the Independent Non-executive Directors, etc. The Nomination Committee, acting on behalf of the Board, reviews the implementation and effectiveness of the Board diversity policy on an on-going basis and at least once in each financial year and reports to the Board. The Board overall is satisfied with the implementation and effectiveness of the Board's diversity policy and the Director's nomination mechanism in place for the financial year under review.

Nomination Committee

In compliance with the recent amendments to the Listing Rules and the Code by the Stock Exchange with effect from 1st January 2022, the Nomination Committee was established by the Board on 23rd December 2021 with its terms of reference adopted by the Board in compliance with the Code. To ensure independent views and inputs are available to the Board, the terms of reference of the Nomination Committee require that a majority of the members should be Independent Non-executive Directors. The Nomination Committee currently comprises the Chairman of the Company, Mr. Poon Jing, and two Independent Non-executive Directors, Mr. Leung Wai Keung and Mr. Wong Chi Keung. The principal activities of the Nomination Committee include review of the structure, size and composition (including the skills, knowledge and experience) of the Board nomination and appointment of new Directors and assessment of Independent Non-executive Director. The Nomination Committee meets at least once a year. During the year, the Nomination Committee held one meeting, which all members had attended, to review the structure, size, composition of the Board with reference to the Board diversity policy and nomination policy, to review the overall contribution and service to the Company, expertise and professional qualifications of the retiring Directors and to recommend them to the Board for re-election at the Company's forthcoming AGM.

Remuneration Committee

Mr. Wong Chi Keung, an Independent Non-executive Director, is the Chairman of the Remuneration Committee. The Remuneration Committee currently comprises the Deputy Chairman and Chief Executive of the Company, Dr. Lim Yin Cheng, and two Independent Non-executive Directors, Mr. Ip Chi Wai and Mr. Wong Chi Keung. The terms of reference were revised and adopted by the Board in compliance with the Code. The duties of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and senior management, approving the remuneration, determining the remuneration packages of all Executive Directors and senior management and approving the compensation to all Directors and senior management on termination or dismissal.

The remuneration packages including basic salary, annual bonus, retirement and/or other benefits such as share options are commensurate with their job nature and experience level. No Director may be involved in any decisions as to his own remuneration or other benefits. The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The remuneration for the Directors and senior management is determined with reference to their expertise and experience in the industry, duties and responsibilities of the Group as well as remuneration benchmark in the industry and prevailing market conditions.

During the year, the Remuneration Committee held one meeting, which all members had attended, to review, discuss and approve the remuneration packages of the Directors and senior management.

Audit Committee

The Audit Committee currently comprises all the Independent Non-executive Directors, Mr. Wong Chi Keung (as the Chairman), Mr. Leung Wai Keung and Mr. Ip Chi Wai. The terms of reference were revised and adopted by the Board in compliance with the Code. The principal activities of the Audit Committee include review and supervision of the Group's financial reporting process, risk management and internal control systems and review of the financial statements before publication. The Audit Committee meets at least twice a year. During the year, the Audit Committee met twice to review the Company's annual and interim financial statements, the recommendation by the auditor on enhancement of risk management and internal control systems and the effectiveness of the internal audit function. All the members had attended the meetings held during the year. The Audit Committee has reviewed the annual financial statements for the year ended 31st March 2022.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31st March 2022.

Corporate Governance Code

During the year, the Company has complied with the principles and the code provisions of the Code in force including the amendments that generally came into force on 1st January 2022 (the "Amended Code"), except the following deviations:

1. Prior to 1st January 2022, Code Provision A.4.1 of the then Code provided that non-executive directors should be appointed for a specific term, subject to re-election. All Independent Non-executive Directors are not appointed for specific terms, but subject to retirement by rotations and re-elections at the AGM in accordance with the Bye-Laws. After the Amended Code has come into effect, all Independent Non-executive Directors are no longer required to be appointed for a specific term;

2. Prior to 1st January 2022, Code Provision A.5.1 of the then Code (now Rule 3.27A of the Listing Rules which came into effect on 1st January 2022) provided that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. On 23rd December 2021, the Board established the Nomination Committee with its terms of reference published on the websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules. Prior to 23rd December 2021, the Company did not have a nomination committee. The Board as a whole was responsible for assessing the independence of Independent Non-executive Directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders of the Company (the "Shareholders") at the general meeting of the Company. Under the Bye-Laws, the Board may from time to time and at any time appoint any person as a Director either to fill a casual vacancy, or as an addition to the Board. Any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election at the meeting; and

3. Code Provision E.1.2 of the then Code (now Code Provision F.2.2 of the Amended Code) provided that the chairman of the board of the company should attend the annual general meeting. Mr. Poon Jing, the Chairman of the Board, was unable to attend the AGM held on 27th August 2021 due to his other engagements at the relevant time.

Corporate Governance Report

Risk Management and Internal Control

The Group has its risk management structure and allocated responsibilities in order to achieve the Group's business objectives:

Risk Management

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and has the overall responsibilities of establishing, maintaining and operating sound and effective risk management and internal control systems which covers financial, operational and compliance aspects as well as material risks relating to environmental, social and governance ("ESG") aspects. The Audit Committee, acting on behalf of the Board, reviews the effectiveness of the Company's risk management and internal control systems on an on-going basis and at least once in each financial year and reports to the Board. The management is responsible for designing, implementing and monitoring of the Group's risk management and internal control systems. The internal audit function facilitates improvement in the risk management process by assessing the effectiveness of the system and reports audit results together with the results of the periodic compliance checking to the Audit Committee on an on-going basis.

Internal Control

The Group's internal control system comprise a well-established organisational structure, comprehensive budgeting, reporting, policies and procedures, aiming to identify and manage risks (including ESG risks, if any) that could adversely hinder the achievement of business objectives of the Group, and to provide reasonable, but not absolute, assurance against failure in operational system, material error, loss or fraud to the Group. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and internal audits are carried out for an independent appraisal of the adequacy and effectiveness of the system and compliance with the applicable laws and regulations.

Internal Audit Function

Internal audit function was in place in the financial year under review to assist the Audit Committee in reviewing and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group at least once each financial year and to manage the risks inherent in the achievement of business objectives of the Group. Internal Audit function adopts risk-based audit approach which focuses on the high risk areas of the Group's activities. Internal audit review covers key issues in relation to the accounting practices and material controls (including financial, operational, compliance and ESG aspects) The review findings or irregularities (if any) and also the recommended steps and actions to enhance the internal control of the Group are reported to the senior management.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 53 to 54 in Report of the Directors.

Unauthorised access and use of inside information are strictly prohibited. Any potential inside information identified by senior management will be assessed, and where appropriate, will be escalated for the attention of the Board to resolve on further actions. The Board assesses the likely impact of any unexpected and significant event and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

Effectiveness of the Group's Risk Management and Internal Control Systems

For the financial year under review, two Audit Committee meetings with senior management, the Group's internal and external auditors were held. The Audit Committee has not identified any significant control failings or weaknesses and it concurred with the management's confirmation on the effectiveness of the Group's risk management and internal control systems. The Board is of the view that the risk management and internal control systems in place for the financial year under review is effective and adequate to safeguard the interests of Shareholders, customers and employees, and the Group's assets.

Auditor's Remuneration

PricewaterhouseCoopers has been appointed as the auditor of the Company by the Shareholders at the AGM. The services provided by PricewaterhouseCoopers during the year included audit, taxation related and other services. A statement by PricewaterhouseCoopers about their reporting responsibilities as the auditor of the Company is included in the Independent Auditor's Report on pages 57 to 65 of this annual report.

For the year ended 31st March 2022, a total amount of HK$4,610,000 (2021: HK$4,439,000) was charged to the financial statements of the Group for their audit services. Taxation services, review on interim results and other services provided by PricewaterhouseCoopers to the Group amounted to HK$385,000 (2021: HK$1,154,000).

Dividend Policy

A dividend policy ("Dividend Policy") was adopted by the Company. The Company intends to provide Shareholders with interim and final dividends, and to declare special dividends from time to time, so far as the Board consider appropriate. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group's earnings performance, financial position, investment requirements and future prospects. Whilst the Dividend Policy reflects the Board's current views on the financial and cash flow position of the Group, such Dividend Policy will continue to be reviewed from time to time and there is no assurance that dividends will be paid in any particular amount for any given period. The payment of dividend is also subject to any restrictions under the Laws of Hong Kong and Bermuda, the Listing Rules and the Bye-Laws.

Professional Development

Every newly appointed Director will receive briefing and professional development so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates and presentation on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong.

Corporate Governance Report

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors according to the records provided by the Directors are as follows:–

Director	Type of training
Mr. Poon Jing	B
Dr. Lim Yin Cheng	B
Mr. Poon Hai	B
Mr. Poon Yeung, Roderick	B
Mr. Fung Siu To, Clement	B
Mr. Woo Wei Chun, Joseph	A,B
Mr. Ip Chi Wai	B
Mr. Leung Wai Keung	A,C
Mr. Wong Chi Keung	A,B

A: Attending seminar(s)/training session(s)/conference(s)/forum(s) relevant to directors' profession and/or duties and/or other relevant topics

B: Reading materials in relation to corporate governance, regulatory development and other relevant topics

C: Giving talks at seminar(s) and/or training session(s)/conference(s)/forum(s) relevant to directors' profession and/or duties and/or other relevant topics

Communications with Shareholders and Investors

The Company aims to provide its Shareholders and investors with high level of transparency. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

During the year, the Executive Directors had various meetings with local and institutional investors and analysts. The Board is committed to providing clear and full performance information of the Group to Shareholders and the public through the publication of interim and annual reports, announcements, circulars and press releases.

The Company has also maintained a website at http://www.asiastandardhotelgroup.com as a communication platform which enables Shareholders, investors and public to access to the information of the Company on a timely basis.

Shareholders may at any time send their enquiries, suggestions and concerns to the Board in writing to the principal office of the Company in Hong Kong or by e-mail to info@asia-standard.com.hk for the attention of the Company Secretary. Inquiries are dealt with in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company's general practice that the Chairman of the Board as well as the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or in their absence, their duly appointed delegates, who are members of the relevant committees, will be available to answer questions at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGMs to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and the independence of the auditor.

The shareholders communication policy is reviewed at least annually to ensure its continued effectiveness.

Shareholders' Rights

Subject to the applicable laws and regulations, the Listing Rules and the Bye-Laws as amended from time to time, the Shareholders may put forward proposals at AGM and convene general meetings of the Company.

(I) Procedure for Shareholders to Make Proposals at Shareholders' Meeting

The number of Shareholders required to move a resolution at an AGM or to circulate any statement by written request (the "Requisitionists") shall be:

i. any number of Shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the Shareholders having a right to vote at the AGM or the relevant general meeting; or

ii. not less than one hundred (100) Shareholders.

The written request (the "Requisition") must state the resolution to be moved at the AGM or the statement of not more than one thousand (1,000) words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the Company (as the case may be), and signed by all the Requisitionists in one or more documents in like form.

A copy of the Requisition, or two or more copies which between them contain the signatures of all the Requisitionists, shall be lodged at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30th Floor, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong, for the attention of the Company Secretary (i) not less than six (6) weeks before the AGM in the case of a Requisition requiring notice of a resolution, unless an AGM is called for a date six (6) weeks or less after the deposit of the Requisition, in which case the Requisition will be deemed to have been properly deposited; or (ii) not less than one (1) week before the relevant general meeting in the case of any other Requisition.

The Requisitionists must deposit a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the Requisition.

(II) Procedure for Shareholders to Convene Special General Meeting

Shareholders holding not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company (the "SGM Requisitionists") may require the Board to convene a special general meeting of the Company ("SGM") by depositing a written requisition (the "SGM Requisition") at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and a copy thereof at the principal office of the Company in Hong Kong at 30th Floor, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong for the attention of the Company Secretary.

The SGM Requisition must state the objects of the SGM and be signed by the SGM Requisitionists and may consist of one or more documents in like form, each signed by one or more of the SGM Requisitionists. Upon receipt of the SGM Requisition, the Directors shall forthwith proceed duly to convene the SGM.

Where, within twenty-one (21) days of the lodging of the SGM Requisition, the Directors do not proceed duly to convene the SGM, the SGM Requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene the SGM, provided that any SGM so convened shall be held within three (3) months from the date of deposit of the SGM Requisition. The SGM Requisitionists shall convene a SGM in the same manner, as nearly as possible, as that in which SGM is to be convened by Directors. Under the Bye-Laws and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the SGM shall be given to all Shareholders entitled to attend the SGM for consideration in the following manner:

i. notice of not less than twenty-one (21) clear days or ten (10) clear business days, whichever is longer, if a special resolution is to be passed at the SGM; and

ii. notice of not less than fourteen (14) clear days or ten (10) clear business days, whichever is longer, in all other cases, provided that a SGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the SGM, being a majority together holding not less than 95% in nominal value of the issued shares of the Company giving such right.

Constitutional Documents

There was no change in the Bye-Laws during the year.

Directors and Senior Management

Executive Directors

Poon Jing

Aged 67, is the Chairman and an Executive Director of the Company. He is also the Chief Executive, the Managing Director and an executive director of Asia Standard International Group Limited ("ASI") and Asia Orient Holdings Limited ("Asia Orient"), an intermediate holding company and the ultimate holding company of the Company respectively. On 23rd December 2021, he has been appointed as the Chairman of the Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company. He is the founder of the Group. Mr. Poon is the father of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Dr. Lim Yin Cheng and Mr. Fung Siu To, Clement, the Deputy Chairman and an Executive Director of the Company respectively.

Lim Yin Cheng

Aged 77, is the Deputy Chairman, the Chief Executive, an Executive Director and a member of the Remuneration Committee of the Company. He is also a director of certain subsidiaries of the Company. Dr. Lim is a holder of a Bachelor of Science (Chemical Engineering) and Doctor of Philosophy degrees. He has over 35 years of experience in engineering, project management and administration. He joined the Group in 1994. Dr. Lim is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Poon Jing and Mr. Fung Siu To, Clement, the Chairman and an Executive Director of the Company respectively.

Poon Hai

Aged 37, is an Executive Director of the Company and Asia Orient. He is also an executive director and a member of the remuneration committee of ASI. He is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree from the University of British Columbia. He is responsible for the business development and the project management of the Group. Mr. Poon is the son of Mr. Poon Jing and the brother of Mr. Poon Yeung, Roderick, the Chairman and an Executive Director of the Company respectively. He is also the nephew of Dr. Lim Yin Cheng and Mr. Fung Siu To, Clement, the Deputy Chairman and an Executive Director of the Company respectively. He joined the Group in 2009.

Poon Yeung, Roderick

Aged 33, is an Executive Director of the Company, ASI and Asia Orient. He is also a director of certain subsidiaries of the Company. Mr. Poon holds a Bachelor of Commerce degree with a major in Real Estate from the University of British Columbia. He is responsible for the Group's project management, investment and business development. Mr. Poon is the son of Mr. Poon Jing and the brother of Mr. Poon Hai, the Chairman and an Executive Director of the Company respectively. He is also the nephew of Dr. Lim Yin Cheng and Mr. Fung Siu To, Clement, the Deputy Chairman and an Executive Director of the Company respectively. He joined the Group in 2012.

Directors and Senior Management

Fung Siu To, Clement

Aged 73, is an Executive Director of the Company. He is also the Chairman, an executive director and a member of the remuneration committee of ASI and Asia Orient. On 23rd December 2021, he has been appointed as the Chairman of the nomination committee of ASI and Asia Orient. He is also a director of certain subsidiaries of the Company. Mr. Fung is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. He joined the Group in 1994 and has over 35 years of experience in project management and construction. Mr. Fung is the uncle of Mr. Poon Hai and Mr. Poon Yeung, Roderick, both of them are Executive Directors of the Company. He is also the brother-in-law of Mr. Poon Jing and Dr. Lim Yin Cheng, the Chairman and the Deputy Chairman of the Company respectively.

Woo Wei Chun, Joseph

Aged 58, is an Executive Director and the Group Financial Controller of the Company. He is also a director of certain subsidiaries of the Company. Mr. Woo is qualified as a U.S. Certified Public Accountant (Illinois) and is an associate member of The Hong Kong Institute of Certified Public Accountants ("HKICPA"). He holds a bachelor degree in Accounting with Computing and a master degree in Business Administration. Mr. Woo has over 30 years of experience in accounting and finance. He joined the Group in 2006.

Independent Non-executive Directors

Ip Chi Wai

Aged 54. Mr. Ip graduated from The University of Hong Kong with a Degree of a Bachelor of Laws. He is a qualified solicitor in Hong Kong and has more than 25 years of experience in the legal profession. Mr. Ip is an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Ip is also an independent non-executive director and a member of the audit committee, the nomination committee and the remuneration committee of Dingyi Group Investment Limited and Wealthy Way Group Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He joined the Group in 2003.

Leung Wai Keung, *JP*

Aged 59, is an Independent Non-executive Director and a member of the Audit Committee of the Company. He is also an independent non-executive director, a member of the audit committee and the remuneration committee of ASI and Asia Orient. On 23rd December 2021, he has been appointed as a member of the Nomination Committee of the Company, ASI and Asia Orient. Mr. Leung joined the Group in 2004.

Mr. Leung is currently a Barrister-at-Law and was appointed as a Justice of the Peace by the Hong Kong Government on 1st July 2018. He has about 10 years of experience in accounting and financial management in several firms and thereafter been practicing as a barrister since 1996. Mr. Leung is a member of HKICPA, The Hong Kong Chartered Governance Institute ("HKCGI") (formerly known as The Hong Kong Institute of Chartered Secretaries), The Association of Chartered Certified Accountants ("ACCA"), The Chartered Governance Institute ("CGI") and The Chartered Institute of Arbitrators ("CIArb"). He was admitted to the High Court of Hong Kong as a barrister in 1994. He holds a Master degree in Accounting and Finance from University of Lancaster and obtained a Bachelor of Laws from Manchester Metropolitan University. He was the President of HKCGI in 2006 and the Chairman of the CIArb (East Asia Branch) in 2015/16 and 2016/17. Mr. Leung had sit on various statutory tribunals such as the Board of Review, the Guardianship Board, and the Registration of Persons Tribunal. From 2012 to 2018, Mr. Leung held the position as the Chairman of the Appeal Board for the Hotel and Guesthouse Accommodation, the Clubs (Safety of Premises) and Bedspace Apartments. From 27th June 2019 to 26th June 2021, Mr. Leung held the position as a member of the Disciplinary Board Panel (Land Survey). Mr. Leung currently is the Chairman of the Appeal Tribunal (Buildings).

Wong Chi Keung

Aged 67, is an Independent Non-executive Director and the Chairman of the Audit Committee and the Remuneration Committee of the Company and Asia Orient. On 23rd December 2021, he has been appointed as a member of the Nomination Committee of the Company. Mr. Wong holds a Master degree in Business Administration from The University of Adelaide in Australia. He is a fellow member of HKICPA, ACCA and CPA Australia; and an associate member of CGI and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management and advising on securities for CASDAQ International Capital Market (HK) Company Limited under the Securities and Futures Ordinance (the "SFO").

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) which is a company listed on the Stock Exchange, for over ten years. He is an independent non-executive director, the Chairman of the remuneration committee and a member of the audit committee of ASI. On 23rd December 2021, he has been appointed as a member of the nomination committee of ASI and Asia Orient. He is also an independent non-executive director and a member of the audit committee of Century City International Holdings Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of the above companies are listed on the Stock Exchange. Mr. Wong has over 45 years of experience in finance, accounting and management. He joined the Group in 2021.

Directors and Senior Management

Senior Management

Ng Siew Seng, Richard

Aged 70, is the Group General Manager of the Company. He is also a director of a subsidiary of the Company. Mr. Ng is responsible for the development and management of the Group's hospitality operations. With over 4 decade's extensive experience in hotel and travel industry for both local and overseas markets, Mr. Ng has held senior marketing and operational positions in a number of major international chain hotels and travel agents in Hong Kong and Macau. He joined the Group in 2007.

Kwan Po Lam, Phileas

Aged 63, is a director of certain subsidiaries of the Company. He is also an executive director of ASI and Asia Orient. Mr. Kwan is a holder of a Bachelor of Business Administration degree. He joined the Group in 1994 and is responsible for hotel development projects and leasing. He has over 35 years of experience in property sales, leasing and real estate management.

Note:

Details of directorships of the Directors in each of those companies which has an interest in the shares and/or underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:–

1. Mr. Poon Jing, Dr. Lim Yin Cheng, Mr. Poon Hai and Mr. Fung Siu To, Clement are directors of The Sai Group Limited;

2. Mr. Poon Jing, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Fung Siu To, Clement, Mr. Leung Wai Keung and Mr. Wong Chi Keung are directors of ASI;

3. Mr. Poon Jing, Mr. Poon Hai and Mr. Fung Siu To, Clement are directors of Persian Limited;

4. Mr. Poon Jing, Dr. Lim Yin Cheng and Mr. Fung Siu To, Clement are directors of Asia Orient Holdings (BVI) Limited; and

5. Mr. Poon Jing, Mr. Poon Hai, Mr. Poon Yeung, Roderick, Mr. Fung Siu To, Clement, Mr. Leung Wai Keung and Mr. Wong Chi Keung are directors of Asia Orient.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2022.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 34 to the financial statements.

The activities of the Group are mainly based in Hong Kong and Canada. Analysis of the Group's revenue and contribution to operating results by principal activities are set out in note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 66.

The Company did not pay an interim dividend for the year ended 31st March 2022 (2021: Nil).

The Board of Directors (the "Board") has resolved not to recommend payment of a final dividend for the year ended 31st March 2022 (2021: HK0.65 cent per share).

Pursuant to the deed poll in respect the issue of the convertible notes (the "Notes") with redemption value of HK$0.453 each carrying an interest of 0.1% due 2047, the noteholders shall be entitled to a coupon of HK0.0453 cent (2021: HK0.65 cent) per Note (the "Coupon"). Since no final dividend was declared for the year ended 31st March 2022, the payment of the Coupon will be deferred until such time as a dividend of the Company is declared and paid.

Financial Summary

A five-year financial summary of the results and of the assets and liabilities of the Group is set out on page 12.

Equity Linked Agreements

Save as disclosed in the section "Share Option Schemes" on pages 51 to 52 and in the section "Convertible Notes" on pages 52 to 53 and as set out in note 23 to the financial statements, no equity linked agreements were entered into during the year or subsisted at the end of the year.

Shares Issued in the Year

No shares of the Company was issued in the year ended 31st March 2022. Detals of the share capital of the Company are set out in note 26 to the financial statements.

Debentures Issued During the Year

Details of the convertible notes of the Company issued during the year are set out in note 23 to the financial statements and the section "Convertible Notes" on pages 52 to 53.

Principal Properties

Details of the principal properties of the Group are set out on page 13.

Report of the Directors

Donations

During the year, the Group made charitable and other donations of HK$482,000 (2021: HK$249,000).

Directors

The Directors of the Company during the year and at the date of this report were:

Mr. Poon Jing
Dr. Lim Yin Cheng
Mr. Poon Hai
Mr. Poon Yeung, Roderick
Mr. Fung Siu To, Clement
Mr. Woo Wei Chun, Joseph
Mr. Ip Chi Wai
Mr. Leung Wai Keung
Mr. Wong Chi Keung

Messrs. Woo Wei Chun, Joseph and Leung Wai Keung will retire from office by rotation in accordance with the bye-laws of the Company (the "Bye-Laws") and Mr. Poon Jing will retire to comply with Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the forthcoming annual general meeting of the Company ("AGM") and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management are set out on pages 39 to 42.

Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its parent companies was a party and in which a Director and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provisions

Subject to the Bermuda Companies Act 1981, the Bye-Laws and other relevant statutes, the Directors for the time being acting in relation to any of the affair of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain in the execution of their office. The Company has arranged appropriate Directors' and Officers' Liability Insurance Coverage for the Directors and officers of the Group.

Arrangements to Purchase Shares or Debentures

Apart from the share option schemes of Asia Orient Holdings Limited ("Asia Orient") (details of which please refer to the annual report of Asia Orient for the year ended 31st March 2022), Asia Standard International Group Limited ("ASI") (details of which please refer to the annual report of ASI for the year ended 31st March 2022) and the Company, at no time during the year were the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st March 2022, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required 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 were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under section 352 of the SFO; or (c) were required 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") as set out in Appendix 10 of the Listing Rules were as follows:

(I) Long Positions in Shares

(a) The Company

	Number of shares held			
Director	**Personal interest**	**Corporate interest**	**Total**	**Percentage of shares in issue (%)**
Poon Jing	152,490	1,346,158,049	1,346,310,539	66.71

Note:

By virtue of Mr. Poon Jing's interest in the Company through Asia Orient and its subsidiaries as disclosed under the heading "Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares" below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(I) Long Positions in Shares (Continued)

(b) Associated corporations

Director	Associated corporation	Number of shares held Personal interest	Family interest	Corporate interest	Total	Percentage of shares in issue (%)
Poon Jing	Asia Orient (note 1)	359,139,472	5,318,799	145,213,900	509,672,171	60.61
Poon Jing	ASI (note 2)	1,308,884	–	683,556,392	684,865,276	51.89
Poon Hai	Asia Orient	10,444,319	–	–	10,444,319	1.24
Fung Siu To, Clement	Asia Orient	15,440,225	–	–	15,440,225	1.83
Fung Siu To, Clement	Mark Honour Limited	9	–	–	9	0.01

Notes:

(1) By virtue of Mr. Poon Jing's controlling interest (60.61%) in Asia Orient, he is deemed to be interested in the shares of the Company held by Asia Orient.

(2) By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.

(II) Long Positions in Underlying Shares

Interests in share options

(a) The Company

Director	Outstanding as at 1st April 2021 and 31st March 2022
Poon Hai (note 1)	14,400,000
Poon Yeung, Roderick (note 1)	14,400,000

Notes:

(1) Options were granted on 11th December 2015 under 2006 Share Option Scheme (as described under the heading "Share Option Schemes") and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK$0.343 (as adjusted) per share.

(2) During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(II) Long Positions in Underlying Shares (Continued)

Interests in share options (Continued)

(b) *Associated corporation – Asia Orient*

Director	Outstanding as at 1st April 2021 and 31st March 2022
Poon Hai (note 1)	3,500,000
Poon Yeung, Roderick (note 1)	3,500,000

Notes:

(1) Options were granted on 11th December 2015 under a share option scheme adopted by Asia Orient on 29th August 2014 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK$1.42 per share.

(2) During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

(c) *Associated corporation – ASI*

Director	Outstanding as at 1st April 2021 and 31st March 2022
Poon Hai (note 1)	3,500,000
Poon Yeung, Roderick (note 1)	3,500,000

Notes:

(1) Options were granted on 11th December 2015 under a share option scheme adopted by ASI on 29th August 2014 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK$1.38 per share.

(2) During the year, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(III) Long Positions in Underlying Shares and Debentures

Interests in convertible notes

The Company

	Number of convertible notes held		
Director	**Personal interest**	**Corporate interest**	**Total**
Poon Jing	–	2,692,316,098	2,692,316,098

Note:

By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the convertible notes held by Asia Orient and its subsidiaries which are convertible into 2,692,316,098 shares of the Company. The convertible notes are convertible during the period from 24th February 2017 and up to and including the date falling the 10th business day prior to 23rd February 2047 at the conversion price/redeemable at the redemption value of HK$0.453 per convertible note. Please refer to the section "Convertible Notes" on page 52 to 53 for details of the convertible notes.

Save as disclosed above, as at 31st March 2022, none of the Directors or the Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required 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 were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st March 2022, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive of the Company.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

(I) Long Positions in Shares of the Company

Shareholder	Capacity	Number of shares held	Total	Percentage of shares in issue (%)
The Sai Group Limited ("Sai Group")	Beneficial owner	1,298,709,227	1,298,709,227	64.35
ASI (note 1)	Interests in controlled corporation	1,298,709,227	1,298,709,227	64.35
Persian Limited ("Persian")	Beneficial owner	47,448,822	47,448,822	2.35
Asia Orient Holdings (BVI) Limited ("AOH(BVI)") (notes 2 and 3)	Interests in controlled corporation	1,346,158,049	1,346,158,049	66.70
Asia Orient (note 4)	Interests in controlled corporation	1,346,158,049	1,346,158,049	66.70
Wong Kwok Fong	Beneficial owner Family interest	183,088,366 60,000	183,148,366	9.07

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

(II) Long Positions in Underlying Shares of the Company

Interests in convertible notes

Noteholder	Capacity	Number of convertible notes held
Sai Group (note 5)	Beneficial owner	2,597,418,454
ASI (notes 1 and 5)	Interests in controlled corporation	2,597,418,454
Persian (note 5)	Beneficial owner	94,897,644
AOH(BVI) (notes 2, 3 and 5)	Interests in controlled corporation	2,692,316,098
Asia Orient (notes 4 and 5)	Interests in controlled corporation	2,692,316,098

Notes:

(1) Sai Group is the wholly-owned subsidiary of ASI. ASI is deemed to be interested in and duplicate the interest in the shares and underlying shares of the Company held by Sai Group.

(2) AOH(BVI) and its subsidiaries together hold more than one-third of the issued shares of ASI and are deemed to be interested in and duplicate the interest in the shares and underlying shares of the Company held by ASI.

(3) Persian is a wholly-owned subsidiary of AOH(BVI). AOH(BVI) is deemed to be interested in and duplicate the interest in the shares and underlying shares of the Company held by Persian.

(4) AOH(BVI) is a wholly-owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicate the interest in the shares and underlying shares of the Company held by AOH(BVI) and its subsidiaries.

(5) The convertible notes are convertible during the period from 24th February 2017 and up to and including the date falling the 10th business day prior to 23rd February 2047 at the conversion price/redeemable at the redemption value of HK$0.453 per convertible note. Please refer to the section "Convertible Notes" on pages 52 to 53 for details of the convertible notes.

Save as disclosed above, as at 31st March 2022, the Directors were not aware of any other persons (other than the Directors and Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under section 336 of the SFO.

Share Option Schemes

Share Option Scheme Adopted on 28th August 2006 (the "2006 Share Option Scheme")

The 2006 Share Option Scheme was adopted on 28th August 2006. Under 2006 Share Option Scheme, the Board may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

The total number of shares available for issue upon exercise of all options granted under 2006 Share Option Scheme must not exceed 125,088,061 shares, representing about 6.19% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2006 Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2006 Share Option Scheme or any other share option scheme of the Company within any 12 months period, must not exceed 1% of the shares in issue from time to time.

Under 2006 Share Option Scheme, there was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the Board but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK$1 to the Company.

The subscription price shall be at the discretion of the Board provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2006 Share Option Scheme was effective for 10 years from 28th August 2006 and expired on the tenth anniversary of such adoption date. Following the expiry of 2006 Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2006 Share Option Scheme and yet to be exercised shall remain valid and exercisable.

The following table discloses details of Company's options granted under 2006 Share Option Scheme held by employees (including Directors):

	Number of share options held
Grantee	**Outstanding as at 1st April 2021 and 31st March 2022**
Directors	28,800,000

Notes:

(1) Options were granted on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK$0.343 (as adjusted) per share.

(2) During the year, no option was granted, exercised, cancelled or lapsed.

Share Option Schemes (Continued)

Share Option Scheme Adopted on 8th September 2016 (the "2016 Share Option Scheme")

The 2016 Share Option Scheme was adopted on 8th September 2016. Under 2016 Share Option Scheme, the Board may grant options to any Director, employee, consultant, customer, supplier, agent, partner or advisers of or contractor to the Company, its subsidiaries or any invested entity, their discretionary trust or the companies owned by them. The purpose was to provide incentives, recognise and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

The total number of shares available for issue upon exercise of all options to be granted under 2016 Share Option Scheme must not exceed, in aggregate, 10% of the issued ordinary shares as at the date of adoption of the 2016 Share Option Scheme or the date of shareholders' approval of a refreshment of such limit in a general meeting of the Company (the "Scheme Limit"). The Scheme Limit was refreshed pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 30th August 2017 and the Scheme Limit as refreshed is 201,804,047 shares, representing about 10% of the shares in issue at the date of this report. The total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under 2016 Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised, outstanding and cancelled options) under any option granted to the same participant under 2016 Share Option Scheme or any other share option scheme of the Company within any 12 months period, must not exceed 1% of the shares in issue from time to time.

Under 2016 Share Option Scheme, there was no requirement for a grantee to hold the option for a certain period before exercising the option unless otherwise determined by the Directors. The exercise period should be any period determined by the Board but in any event the exercise period should not be later than 10 years from the date of grant. The grantee has to accept an option within 21 days from the date of offer by making a non-refundable payment of HK$1 to the Company.

The subscription price shall be at the discretion of the Board provided that it shall be not less than the highest of (i) the closing price of a share on the relevant date of grant; (ii) the average of the closing prices of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The 2016 Share Option Scheme is effective for 10 years from 8th September 2016. No share option has been granted since the adoption of 2016 Share Option Scheme.

Convertible Notes

On 23rd February 2017, the Company issued a total of 2,693,204,266 convertible notes (the "Note(s)") with a total principal amount of HK$1,220 million (a redemption value of HK$0.453 per Note) which bears interest at 0.1% per annum and have dividend entitlement in order to fulfill the public float requirements under the Listing Rules. The Notes were unsecured and redeemable. Where a final dividend on the shares has not been declared and paid in any particular year, the 0.1% coupon will be deferred until the next dividend payment (if previously unpaid) and the accumulated deferred coupon would be paid on maturity date.

Convertible Notes (Continued)

Each noteholder has the option to convert the Notes into fully paid ordinary share on a one to one basis (subject to adjustment to certain corporate actions) at any time from the first business day immediately following the date of issue of the Notes up to and including the date falling on the 10th business day prior to the thirtieth anniversary of the date of issue of the Notes, provided that no conversions will be permitted if they were to result in the Company failing to meet the public float requirements under the Listing Rules. Unless previously converted, the Notes will be redeemed on thirtieth anniversary of the date of issue of the Notes at a redemption price equal to 100% of the principal amount.

During the year, no Notes (2021: Nil) was converted into ordinary shares of the Company.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

Pre-Emptive Rights

No pre-emptive rights exist in Bermuda in respect of the Company's share capital.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Business Review

A fair review of business of the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, an analysis using financial key performance indicators and indication of likely future development of the Group are set out in the section "Management Discussion and Analysis" on pages 6 to 11. Discussion on environmental policies and performance of the Group and the account of the key relationships with its stakeholders are set out in the sections "Environmental, Social and Governance Report" on pages 14 to 28.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with laws and regulations. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group.

The Group has been allocating resources to ensure on-going compliance with rules and regulations and any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Principal Risks and Uncertainties

The Company believes that the factors described below represent the principal risks and uncertainties which may potentially affect the Group's business, financial conditions, operations and future prospect of the business. It does not represent that the factors described below are exhaustive.

Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Risks pertaining to hotel and travel operations

The Group's hotel and travel agency business may be significantly affected by factors outside our control such as government regulation, changes in market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, the interest rate environment, and other natural and social factors which may affect the level of global travel and business activity.

As five of the Group's hotels are located in Hong Kong, the revenue from this business is sensitive to changes in the tourism industry and number of visitors in Hong Kong, which is greatly influenced by the attractiveness of Hong Kong as a destination for tourists, business travellers and conferences as well as the inbound travel policy adopted by the Hong Kong Government, particular for those from the PRC which comprised approximately 73% of the total overnight visitor arrivals to Hong Kong, and is the major source of business for our hotels.

The Group reviews and optimises its asset portfolio to ensure that it is sufficiently cost effective and efficient. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

Risks pertaining to hotel or property developments

The Group engages external contractors to provide various services, including the construction of hotel expansions, hotel and property development projects. Completion of these projects is subject to the performance of external contractors, including the pre-agreed schedule for completion. Any delay in obtaining or failure to obtain the relevant government approvals or permits also affects completion. Furthermore, the government may re-enter the land if we fail to comply with the land grant conditions.

Risks pertaining to financing

The Group requires funding to support the operations, working capital, and capital expenditure requirements of its hotels in operations, and of any property development in the future. The overall level and pace of future development of the Group may be impacted by factors such as the availability of capital, increase in costs of funding and currency fluctuation.

The Group maintains an open and proactive relationship with the banking community, arranging different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

Risks pertaining to financial investments

The Group's financial performance is exposed to financial and capital market risks, including changes in interest rates, foreign exchange rates, credit spreads, equity prices, and the performance of the economy in general and other factors outside our control. For further details of such risks and relevant management policies, please refer to note 3 to the financial statements from pages 88 to 104.

Relationship with Employees, Customers and Suppliers

The Group appreciates the importance of maintaining a good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values the feedback from customers through daily communication, and address customers' concern in a timely manner. For the suppliers, the Group assures their performance for delivering quality sustainable products and services through supplier approval process and by spot checks on the delivered goods.

Business Review (Continued)

Relationship with Employees, Customers and Suppliers (Continued)

During the year ended 31st March 2022, there is no circumstance of any event between the Group and its customers which will have a significant impact on the Group's business and on which the Group's success depends. The account of key relationship with employees and suppliers on which the Group's success depends is set out in the section "Environmental, Social and Governance Report" on pages 14 to 28.

Major Customers and Suppliers

The percentages of the Group's purchases and sales for the year attributable to major suppliers and customers were as follows:

Percentage of purchases attributable to the Group's largest supplier	79%
Percentage of purchases attributable to the Group's five largest suppliers	83%
Percentage of sales attributable to the Group's largest customer	56%
Percentage of sales attributable to the Group's five largest customers	61%

To the knowledge of the Directors, none of the Directors, their close associates or shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) held any interests in the share capital of the suppliers or customers noted above.

Related Party Transactions

Details of the significant related party transactions undertaken during the year are disclosed in note 32 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" below, these related party transactions either (i) do not constitute connected or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions

The Group had the following continuing connected transaction with connected persons during the year:

Project management services agreement

Pursuant to a master agreement dated 1st April 2021 entered into between the Company and Winfast Engineering Limited ("Winfast"), a subsidiary of ASI, Winfast provides the project management services to the member(s) of the Group in connection with the regular building maintenance services, fitting-out works, improvement works and/or other works incidental thereto at the hotels owned and operated by and the properties owned by the Group (the "Project Management Services Agreement") for a period of three years commencing from 1st April 2021 to 31st March 2024. The annual cap in respect of the amount of project management fees is HK$5,000,000, HK$5,500,000 and HK$6,000,000 for the year ended 31st March 2022 and years ending 31st March 2023 and 2024 respectively.

During the year ended 31st March 2022, a total project management fees of HK$4,524,000 (2021: Nil) was paid by the subsidiaries of the Company to Winfast for the Project Management Services Agreement.

Related Party Transactions (Continued)

Connected Transactions (Continued)

Project management services agreement (Continued)

Winfast is an indirect wholly-owned subsidiary of ASI, which is in turn a substantial shareholder of the Company holding approximately 64.35% of the issued share capital of the Company. Winfast and ASI are regarded as connected persons of the Company under the Listing Rules. Accordingly, the Project Management Services Agreement constitutes continuing connected transaction of the Company for the purpose of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transaction and confirmed that the continuing connected transaction has been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the independent auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusion in respect of the above continuing connected transaction. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Independent Non-Executive Directors

Confirmation of independence pursuant to the independence guidelines under Rule 3.13 of the Listing Rules has been received from each of the Independent Non-executive Directors and the Company considers all existing Independent Non-executive Directors are independent.

Sufficiency of Public Float

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there was sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issuance of this report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Poon, Jing
Chairman

Hong Kong, 29th June 2022

To the Shareholders of Asia Standard Hotel Group Limited
(incorporated in Bermuda with limited liability)

Opinion

What We Have Audited

The consolidated financial statements of Asia Standard Hotel Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 66 to 144, comprise:

- the consolidated balance sheet as at 31st March 2022;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2022, 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 disclosure requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 identified in our audit are summarised as follows:

- Expected credit loss ("ECL") assessment of debt securities which are classified as financial assets at fair value through other comprehensive income ("FVOCI") and the related accrued interest
- Recoverability of properties under development for sale
- Impairment of hotel properties

Key audit matter	How our audit addressed the key audit matter
ECL assessment of debt securities which are classified as FVOCI and the related accrued interest	
Refer to notes 3, 4, 6, 16 and 18 to the consolidated financial statements	The procedures we performed included:
As at 31st March 2022, the Group has debt securities which are classified as FVOCI. The related charge in ECL for FVOCI debt securities and the related accrued interest for the year ended 31st March 2022 was recognised in the consolidated profit or loss accounts. The majority of the debt securities issuers were engaged in real estate development in the People's Republic of China ("PRC"). The ECL assessment of FVOCI debt securities was subject to higher estimation uncertainty due to the recent market conditions and volatility in the PRC real estate industry.	– Understanding management's controls and processes for the ECL assessment of FVOCI debt securities and the related accrued interest and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – Testing the Group's key controls over ECL assessment, including the controls over model selection and staging determination to assess any significant increase in credit risk;

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
ECL assessment of debt securities which are classified as FVOCI and the related accrued interest (Continued)	
The Group assessed whether the credit risk of FVOCI debt securities and the related accrued interest increased significantly since their initial recognition and applied a three-stage impairment model approach to calculate the ECL except for purchased or originated credit-impaired financial assets ("POCI"). For FVOCI debt securities that are classified as stage 1 or stage 2, the Group assessed the ECL using a model that incorporated relevant assumptions, including probability of default ("PD") and loss given default ("LGD"). For FVOCI debt securities classified as stage 3, the Group assessed ECL for each FVOCI debt securities using a discounted cashflow model with probability weightings given to different probable scenarios. POCI are financial assets that are credit-impaired on initial recognition. For POCI, the Group estimates the lifetime expected credit losses using discounted cashflows from the investment at each reporting date. The assumptions also take into account forward-looking estimates by referencing to macro-economic factors. We have identified the ECL assessment for FVOCI debt securities and the related accrued interest as a key audit matter due to high inherent risk given the uncertainty of estimates, involvement of significant management judgement and assumptions.	– With the assistance of our internal valuation and modelling expert, we performed the following procedures: – Evaluating the reasonableness of staging determination by considering the Group's historical credit loss experience, the circumstances concerning the business and financial affairs of the underlying debt securities issuers at the time of initial recognition as well as at the end of the reporting period, relevant industry information and expected industry outlook; – Evaluating the reasonableness and appropriateness of the selection and application of models, assumptions, including the PD, LGD and expected cashflows, the application of multiple scenarios and assigned probability in the ECL model, the forward looking factors and the correlation between the forward looking factors and the assumptions used by considering the credit reports issued by credible agencies, the restructuring plans signed or proposed, overdue status, the latest financial information available from the debt securities issuers and other relevant information;

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
ECL assessment of debt securities which are classified as FVOCI and the related accrued interest (Continued)	
	– Checking data inputs used in the discounted cashflows on a sample basis to supporting documents; and – Assessing the adequacy of the disclosures related to the expected credit losses of the FVOCI debt securities and the related accrued interest in the applicable financial reporting framework. Based on the work performed, we found the assumptions adopted in the ECL assessment by management for the FVOCI debt securities and the related accrued interest were supported by the evidence obtained.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of properties under development for sale *Refer to notes 4, 15 and 17 to the consolidated financial statements.* The Group has a number of properties under development for sale held by subsidiaries and joint ventures. Management assessed the recoverability of properties under development for sale based on estimates of the net realisable values of the underlying properties for each project and concluded no provision is necessary as at 31st March 2022. This involved the estimation of construction costs to be incurred to complete the properties under development based on existing plans and forecast of future sales. The estimation of net realisable values depends on key assumptions that require significant management judgement, including selling price per square feet and budgeted costs of construction.	Our audit procedures in relation to evaluating management's assessment of recoverability of property development projects included: – Understanding management's controls and processes for determining the recoverability of properties under development for sale and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; – Comparing the expected future sales prices to current market prices of comparable properties; – Understand the progress of development for major properties under development for sale and challenge the assumptions for forecast development costs to complete; – Corroborating the cost estimates provided by management and project managers to latest approved budgets and approved development plans; – Benchmarking estimated construction costs to external industry data; and – Assessing the adequacy of the disclosures related to the recoverability of properties under development for sale in the context of HKFRS disclosure requirements. Based on the work performed, we found the assumptions adopted by the management in the assessment of recoverability of the properties under development for sale were supported by the evidence obtained.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of hotel properties *Refer to notes 4 and 14 to the consolidated financial statements.* The Group, through its subsidiaries holds five wholly owned hotel properties which are operating in Hong Kong. The carrying values of these hotel properties included in property, plant and equipment amounted to HK$2,568 million on the consolidated balance sheet at 31st March 2022. Given the more challenging economic environment in Hong Kong and the impact of COVID-19 pandemic, the Group's hotels incurred losses for the year ended 31st March 2022. With the uncertainties over the pace of business recovery, there is a risk that the carrying amounts of the hotel properties are higher than their recoverable amounts. Management considers each hotel as a separate cash-generating unit ("CGU") and has carried out impairment assessment on the carrying amount of each of the hotel. The recoverable amount is determined as the higher of the CGU's value-in-use and fair value less costs of disposal. Management has engaged external professional valuer, to estimate the value-in-use of the hotel properties held by the Group as at 31st March 2022. Based on the impairment assessments carried out by management as reference to the reports of the external professional valuer as at 31st March 2022, no provision for impairment loss was considered necessary as at 31st March 2022. We focused on this area as the impairment assessments involve significant judgements and estimation uncertainty about future business performance with key assumptions including revenue growth rate, occupancy rate, discount rate and terminal rate.	Our audit procedures in relation to management's impairment assessments included: – Understanding management's control and process for determining the recoverable amounts of hotels properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; – Evaluating management's future cash flow forecasts and the processes by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets and the actual results of the prior period; – Obtaining the valuation reports and holding meetings with the external professional valuer, together with our internal valuation experts, to discuss and evaluate the valuation methodology and key assumptions adopted; – Assessing external professional valuer's competence, capabilities and objectivity, and reading the valuation reports prepared by the external professional valuer; – Assessing the revenue growth rate and occupancy rate assumptions applied in the forecasts by comparing them to historic results and economic and industry forecasts; – Assessing the region-specific discount rate and terminal rate with reference to market data or our in-house valuation experts; – Carrying out sensitivity test by considering the potential impact of reasonably possible downside changes of the key assumptions on management's impairment assessments; – Checking, on a sample basis, the accuracy and relevance of the input data used by the external professional valuer; and – Assessing the adequacy of the disclosures related to the impairment of hotel properties in the context of HKFRS disclosure requirements. Based on the work performed, we found the assumptions adopted by the management in the impairment assessment of hotel properties were supported by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the Audit Committee 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 disclosure requirements of 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Liao Weining.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29th June 2022

Consolidated Profit and Loss Account

For the year ended 31st March 2022

	Notes	2022 HK$'000	2021 HK$'000
Interest revenue		**902,419**	934,384
Sales of goods and services and other revenue	5	**87,328**	43,027
Total revenue	5	**989,747**	977,411
Cost of sales		**(41,213)**	(27,782)
Gross profit		**948,534**	949,629
Selling and administrative expenses		**(115,589)**	(110,389)
Depreciation		**(126,230)**	(127,030)
Net investment (loss)/gain	6		
Net realised and unrealised (loss)/gain		**(294,328)**	116,670
Changes in expected credit losses		**(1,072,595)**	(50,281)
Operating (loss)/profit		**(660,208)**	778,599
Net finance costs	10	**(130,408)**	(149,900)
Share of profits less losses of joint ventures		**217**	1,679
(Loss)/profit before income tax		**(790,399)**	630,378
Income tax credit/(expense)	11	**44,413**	(9,067)
(Loss)/profit for the year		**(745,986)**	621,311
Attributable to:			
Shareholders of the Company		**(746,382)**	621,505
Non-controlling interests		**396**	(194)
		(745,986)	621,311
(Loss)/earnings per share (HK cents)			
Basic	13	**(37.0)**	30.8
Diluted	13	**(37.0)**	13.5

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2022

	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year	**(745,986)**	621,311
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain and other net movement on debt securities at fair value through other comprehensive income	**(2,252,426)**	831,777
Cash flow hedges		
– net fair value gain/(loss)	**102,042**	(18,163)
– deferred tax on derivative financial instruments	**(16,837)**	3,746
Currency translation differences	**11,819**	57,176
Share of currency translation differences of joint ventures	**7,328**	59,078
Item that will not be reclassified to profit or loss:		
Net fair value gain on equity securities at fair value through other comprehensive income	**26,517**	4,115
	(2,121,557)	937,729
Total comprehensive (charge)/income for the year	**(2,867,543)**	1,559,040
Attributable to:		
Shareholders of the Company	**(2,868,572)**	1,553,891
Non-controlling interests	**1,029**	5,149
	(2,867,543)	1,559,040

Consolidated Balance Sheet

As at 31st March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**2,888,088**	2,863,946
Investment in joint ventures	15	**178,903**	169,788
Amounts due from joint ventures	15	**406,140**	385,171
Financial investments	16	**627,373**	1,948,073
Derivative financial instruments	24	**127,280**	9,840
Deferred income tax assets	25	**61,485**	29,475
		4,289,269	5,406,293
Current assets			
Properties under development for sale	17	**1,401,523**	836,478
Inventories		**17,881**	18,546
Trade and other receivables	18	**420,196**	273,842
Income tax recoverable		**60**	59
Financial investments	16	**2,393,581**	4,712,334
Bank balances and cash			
– restricted	19	**348,032**	47,825
– unrestricted	19	**243,431**	814,314
		4,824,704	6,703,398
Current liabilities			
Trade and other payables	21	**109,669**	738,436
Contract liabilities	20	**245,717**	224,843
Amount due to non-controlling interests		**48,647**	46,640
Borrowings	22	**2,364,946**	1,391,205
Income tax payable		**57,013**	61,980
		2,825,992	2,463,104
Net current assets		**1,998,712**	4,240,294

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current liabilities			
Borrowings	22	**3,847,933**	4,299,119
Lease liabilities	14	**302**	2,490
Convertible notes	23	**240,016**	225,455
Derivative financial instruments	24	**–**	27,547
Deferred income tax liabilities	25	**17,122**	13,646
		4,105,373	4,568,257
Net assets		**2,182,608**	5,078,330
Equity			
Share capital	26	**40,361**	40,361
Reserves	27	**2,139,734**	5,036,485
Equity attributable to shareholders of the Company		**2,180,095**	5,076,846
Non-controlling interests		**2,513**	1,484
		2,182,608	5,078,330

Lim Yin Cheng
Director

Woo Wei Chun, Joseph
Director

Consolidated Statement of Cash Flows

For the year ended 31st March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	31	**(728,909)**	1,616,028
Net income tax (paid)/refunded		**(4,667)**	301
Interest paid		**(134,655)**	(117,693)
Interest received from bank deposits and loan receivables		**3,471**	2,850
Net cash (used in)/generated from operating activities		**(864,760)**	1,501,486
Cash flows from investing activities			
Additions of property, plant and equipment		**(149,072)**	(11,387)
Proceeds on disposal of property, plant and equipment		**10**	15
Increase in investment in joint ventures		**(6,632)**	(4,920)
Advances to joint ventures		**(15,903)**	(12,985)
Purchase of financial investments		**(8,581)**	(4,416)
Net cash used in investing activities		**(180,178)**	(33,693)
Net cash (used)/generated before financing activities		**(1,044,938)**	1,467,793
Cash flows from financing activities			
Drawdown of long term borrowings		**1,122,066**	1,072,541
Repayment of long term borrowings		**(717,503)**	(1,127,316)
Net increase/(decrease) in short term borrowings		**103,500**	(857,500)
Contribution from non-controlling interests		**2,007**	2,129
Principal elements of lease payment		**(7,989)**	(7,800)
Dividend paid		**(13,117)**	–
Coupon to convertible noteholders		**(15,062)**	–
Net cash generated from/(used in) financing activities		**473,902**	(917,946)
Net (decrease)/increase in cash and cash equivalents		**(571,036)**	549,847
Cash and cash equivalents at the beginning of the year		**814,314**	243,530
Changes in exchange rates		**153**	20,937
Cash and cash equivalents at the end of the year		**243,431**	814,314
Analysis of the balances of cash and cash equivalents			
Bank balances and cash (excluding restricted cash balances)	19	**243,431**	814,314

Consolidated Statement of Changes in Equity

For the year ended 31st March 2022

	Equity attributable to shareholders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31st March 2020	40,361	3,482,594	3,522,955	(3,665)	3,519,290
Financial asset at fair value through other comprehensive income					
– net fair value gain and other net movement	–	902,803	902,803	–	902,803
– release of reserve upon disposal/derecognition	–	(66,911)	(66,911)	–	(66,911)
Currency translation differences	–	57,176	57,176	–	57,176
Cash flow hedges					
– fair value loss	–	(18,163)	(18,163)	–	(18,163)
– deferred tax on derivative financial instruments	–	3,746	3,746	–	3,746
Share of currency translation differences of joint ventures	–	53,735	53,735	5,343	59,078
Profit/(loss) for the year	–	621,505	621,505	(194)	621,311
Total comprehensive income for the year	–	1,553,891	1,553,891	5,149	1,559,040
At 31st March 2021	40,361	5,036,485	5,076,846	1,484	5,078,330
Financial asset at fair value through other comprehensive income					
– net fair value loss and other net movement	–	(2,215,080)	(2,215,080)	–	(2,215,080)
– release of reserve upon disposal/derecognition	–	(10,829)	(10,829)	–	(10,829)
Currency translation differences	–	11,819	11,819	–	11,819
Cash flow hedges					
– fair value gain	–	102,042	102,042	–	102,042
– deferred tax on derivative financial instruments	–	(16,837)	(16,837)	–	(16,837)
Share of currency translation differences of joint ventures	–	6,695	6,695	633	7,328
(Loss)/profit for the year	–	(746,382)	(746,382)	396	(745,986)
Total comprehensive (charge)/income for the year	–	(2,868,572)	(2,868,572)	1,029	(2,867,543)
Transaction with owners:					
2021 final dividend	–	(13,117)	(13,117)	–	(13,117)
Coupon to convertible noteholders	–	(15,062)	(15,062)	–	(15,062)
Total transaction with owners	–	(28,179)	(28,179)	–	(28,179)
At 31st March 2022	**40,361**	**2,139,734**	**2,180,095**	**2,513**	**2,182,608**

Notes to the Financial Statements

1 General Information

Asia Standard Hotel Group Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited ("HKEX"). The address of its principal office is 30th Floor, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong.

2 Principal Accounting Policies

(A) Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), financial assets at fair value through other comprehensive income ("FVOCI") and derivative financial instruments, which are carried at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standard ("HKFRS").

Despite the Group incurred a net loss of HK$746 million and a net cash outflow from operations of HK$729 million for the year ended 31st March 2022, the directors consider the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31st March 2022 after taking into account cash flow forecast which incorporates internal resources from the Group's operations; the new four-year term loan facility of HK$1.4 billion in May 2022 (note 22) which is to be used to refinanced all of the Group' unsecured short-term borrowings as at 31st March 2022; and other available committed bank facilities. Accordingly, the directors of the Company considered it is appropriate to prepare the consolidated financial statements on a going concern basis.

The principal accounting policies applied by the Company and its subsidiaries (collectively, the "Group") in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(B) The Adoption of New Standards and Amendments to Standards

The accounting policies and methods of computation used in the preparation of these annual financial statements are consistent with those used in 2021, except adoption of the following amendments to standards that are effective for the first time for this year which are relevant to the Group's operations and are mandatory for accounting periods beginning on or after 1st January 2021:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments to standards did not have significant impact to the consolidated financial statements in the current and prior years.

2 Principal Accounting Policies (Continued)

(B) The Adoption of New Standards and Amendments to Standards (Continued)

The following new standards and amendments to standards are relevant to the Group's operation but not yet effective

Effective for accounting periods beginning on or after:

1st January 2022	
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRS	Annual improvements to HKFRS Standards 2018-2020
1st January 2023	
HKFRS 17 and amendment to HKFRS 17	Insurance contracts
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction
To be determined	
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associate or joint venture

The Group is in the process of making an assessment of the impact of these new standards, amendments and improvements to standards, practice statement, and interpretation and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

(C) Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and all its subsidiaries made up to 31st March.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2 Principal Accounting Policies (Continued)

(C) Basis of Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(D) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Principal Accounting Policies (Continued)

(D) Subsidiaries (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(E) Joint Arrangements

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in the Group's other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value and recognises the amount adjacent to "share of profit less losses of joint ventures" in the consolidated profit and loss account.

(F) Balances with Subsidiaries and Joint Ventures

Balances with subsidiaries and joint ventures are split into its financial assets/liabilities and equity components at initial recognition. The financial assets/liabilities component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

2 Principal Accounting Policies (Continued)

(G) Financial Investments

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit and loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Principal Accounting Policies (Continued)

(G) Financial Investments (Continued)

(iii) Measurement (Continued)

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest revenue using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "net investment gain/loss" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated profit and loss account.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised "net investment gain/loss". Interest income from these financial assets is included in interest revenue using the effective interest rate method. Foreign exchange gains and losses are presented in "net investment gain/loss" and impairment expenses are presented as separate line item in the consolidated profit and loss account.

- FVOCI that are purchase or originated credit-impaired ("POCI") financial assets are recognised at their fair value. Interest income from these financial assets is included in interest revenue using the credit-adjusted effective interest rate method. The credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a POCI financial asset taking into account the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "net investment gain/loss" in the period in which it arises.

2 Principal Accounting Policies (Continued)

(G) Financial Investments (Continued)

(iii) Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "sales of goods and services and other revenue" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "net investment gain/loss" in the consolidated profit and loss account as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Expected credit loss ("ECL")

At the end of the reporting period, the Group performs impairment assessment and recognises loss provisions based on ECL on financial assets measured at amortised cost and FVOCI for debt instruments. The ECL refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original interest rate by the Group, that is, the present value of all cash shortages. Among them, the POCI financial assets shall be discounted according to the credit-adjusted effective interest rate method.

Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain. For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the balance sheet. For loss provision measured at the amount equivalent to the lifetime ECL of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its ECL for the next 12 months, and the reversal of the loss provision arising from it is recognised as an impairment gain in profit or loss for the current reporting period. For POCI financial assets, the Group only recognises cumulative changes in lifetime ECL after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime ECL as an impairment loss or gain in current profit or loss.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 Principal Accounting Policies (Continued)

(G) Financial Investments (Continued)

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(H) Property, Plant and Equipment

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

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

Depreciation of property, plant and equipment is calculated using straight-line method to allocate the cost to their residual values over their estimated useful lives, as follows:

Hotel and other buildings in Hong Kong	Shorter of 50 years or the remaining lease period of the land on which the buildings are located
Other equipment	3 – 10 years

No depreciation is provided for buildings under development. Freehold land is not amortised.

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

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(I)).

(I) Impairment of Non-Financial Assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(J) Properties Under Development for Sale

Properties under development for sale are included in current assets and comprise leasehold land, freehold land, construction costs, interest and other direct costs attributable to such properties and are stated at the lower of cost and net realisable value.

Properties held for development for sale are stated at the lower of cost and net realisable value. Cost comprises leasehold land, construction costs, interest and other direct expenses capitalised during the course of development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(K) Inventories

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(L) Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 18 for further information about the Group's accounting for trade receivables and note 4(D) for a description of the Group's impairment policies.

(M) Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(N) Contract Liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer.

The combination of those rights and performance obligations gives rise to a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss. Contract liabilities are recognised as revenue when the Group provide services to the customers and therefore satisfies its performance obligation.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(O) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(P) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the initiation of the borrowings, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account or capitalised when applicable (note 2(X)) over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(Q) Convertible Notes

The convertible notes issued by the Group that contain both liability component and conversion equity component are classified separately on initial recognition. The conversion option that will be settled by the exchange of a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the convertible notes as a whole was determined and the fair value of the liability component was determined using cash flow discounted at a prevailing market interest rate. The residual amount, representing the value of equity component, is credited to a convertible notes reserve under equity attributable to the Company's shareholders.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry of the convertible notes.

2 Principal Accounting Policies (Continued)

(R) Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits obligations

The Group contributes to several defined contribution retirement schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these schemes are expensed as incurred.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

When the options are exercised, the Company will issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(S) Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Principal Accounting Policies (Continued)

(S) Current and Deferred Income Tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(T) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(U) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategies decisions, is identified as the Board of Directors of the Company.

(V) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in ordinary course of the Group's activities. Revenue is recognised as follows:

- Revenue from hotel room rental is recognised over time during the period of stay for the hotel guest;
- Revenue from hotel food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered;

2 Principal Accounting Policies (Continued)

(V) Revenue Recognition (Continued)

- Revenue from incentive travel tours is recognised over time and as gross when the service is delivered;
- Revenue from sale of air tickets and hotel reservation arrangements are recognised at a point in time and as agency commission earned when the tickets and the confirmation documents are issued, respectively;
- Operating lease rental income is recognised on a straight-line basis over the term of the respective lease;
- Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income for the POCI financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset using the credit-adjusted effective interest rate. At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit- impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred; and
- Dividend income is recognised when the right to receive payment is established.

(W) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at FVOCI are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated profit and loss account, and other changes in the carrying amount are recognised in OCI.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVPL are recognised in the consolidated profit and loss account as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at FVOCI are included in OCI.

2 Principal Accounting Policies (Continued)

(W) Foreign Currency Translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each profit and loss account and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting currency translation differences are recognised in OCI.

On consolidation, currency translation differences arising from the translation of the net investment in foreign operations, are taken to OCI. When a foreign operation is sold, all of the differences accumulated in equity are reclassified to the consolidated profit and loss account as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in OCI.

(X) Borrowing Costs

Borrowing costs incurred on properties under development that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development.

All other borrowing costs are recognised in the consolidated profit and loss account in the period in which they are incurred.

(Y) Leases

As the lessor

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Principal Accounting Policies (Continued)

(Y) Leases (Continued)

As the lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability and

– any lease payments made at or before the commencement date less any lease incentives received

– any initial direct costs, and

– restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in the consolidated profit and loss account.

(Z) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2 Principal Accounting Policies (Continued)

(AA) Related Parties

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures and key management (including close members of their families), where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(AB) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

(AC) Financial Guarantee (Insurance Contracts)

The Company assesses at each balance sheet date the liabilities under its financial guarantee contracts using current estimates of future cash flows. Changes in carrying amount of these liabilities are recognised in the consolidated profit and loss account.

The Company accounts for its financial guarantee contracts in respect of guarantees provided to its subsidiaries and joint ventures in accordance with HKFRS 4, "Insurance Contracts".

(AD) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group designates certain derivatives as hedges of a particular risk associated with cash flow of recognised assets or liabilities or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated profit and loss account within "net finance costs".

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated profit and loss account.

2 Principal Accounting Policies (Continued)

(AE) Government Grants

Government grants are recognised in the consolidated profit and loss account initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

3 Financial Risk Management

(I) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group's operations are mainly in Hong Kong. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operation including Canada, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currency.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

The Group is also exposed to foreign currency risk with respect to financial investment, derivative financial instrument, bank balances and borrowings which are denominated in United States dollar, Sterling pound, Euro, Renminbi and Japanese Yen.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st March 2022, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK$2 billion (2021: HK$5.4 billion). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign exchange risk with respect to United States dollar.

If the foreign currency had strengthened/weakened by 5%, with all other variables held constant, the Group's post tax result would have the following changes:

	2022			2021		
	Net monetary assets amount	**Increase/(decrease) in result attributable to shareholders of the Company if exchange rate changes by**		Net monetary assets amount	Increase/(decrease) in result attributable to shareholders of the Company if exchange rate changes by	
		+5%	**-5%**		+5%	-5%
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Euro	**2,972**	**126**	**(126)**	6,801	288	(288)
Renminbi	**1,405,931**	**70,004**	**(70,004)**	1,791,406	88,477	(88,477)
Sterling	**176**	**7**	**(7)**	176	7	(7)
Japanese Yen	**15,310**	**765**	**(765)**	15,666	783	(783)

(ii) Price risk

The Group is exposed to equity and debt securities price risk from the Group's financial investments and derivative financial instruments. The performance of the Group's investments is closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

The Group's listed investments in equity and debt securities of other entities (classified as financial assets at FVPL and financial assets at FVOCI are traded in HKEX, London Stock Exchange ("LSE"), Shanghai Stock Exchange ("SSE"), Shenzhen Stock Exchange ("SZSE"), New York Stock Exchange ("NYSE"), Singapore Stock Exchange ("SGX-ST") and Frankfurt Stock Exchange ("FSE"). The price to the Group's unlisted investment are quoted from brokers. Gains and losses arising from price changes in fair value are dealt with the profit and loss account respectively in OCI.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

For every 10% increase/decrease in the prices of financial instruments or underlying assets, with all other variables held constant, the Group's post tax result would have the following changes:

	2022				2021			
	Increase/(decrease) in result attributable to shareholders of the Company if the price changes by		Increase/(decrease) in investment revaluation reserve of the Company if the price changes by		Increase/(decrease) in result attributable to shareholders of the Company if the price changes by		Increase/(decrease) in investment revaluation reserve of the Company if the price changes by	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVPL	114,441	(114,441)	-	-	137,063	(137,063)	–	–
Financial assets at FVOCI	-	-	164,205	(164,205)	–	–	499,238	(499,238)

(iii) Cash flow interest rate risk

Other than bank balances and deposits, financial investments with fixed coupons, loan receivables and advances to joint ventures (collectively "Interest Bearing Assets"), the Group has no other significant interest bearing assets. The Group's interest rate risk also arises from borrowings and convertible notes (collectively "Interest Bearing Liabilities").

Interest Bearing Assets are mostly at fixed rates. Convertible notes are at fixed rate, while borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using floating-to-fixed interest rate swaps.

At 31st March 2022, with all other variables held constant and considered the impact of hedging derivatives, if the interest rate had increased/decreased by 50 basis point, the Group's post tax profit attributable to shareholders of the Company would have been HK$19,935,000 (2021: HK$18,455,000) lower/higher.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk

The credit risk of the Group mainly arises from bank balances and cash (note 19), debt securities of financial investments (note 16), derivative financial instruments (note 24) as well as credit exposures to trade and other receivables (note 18).

ECL

The Group assesses on a forward-looking basis the ECL associated with financial assets carried at amortised cost, FVOCI and financial guarantee contracts. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group assesses the ECL for trade receivables based on a simplified approach.

The Group adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition, to estimate the expected credit losses for financial assets measured at amortised cost (except for trade receivables, which applies simplified approach) and FVOCI debt securities other than those that are classified as POCI and financial guarantee contracts.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition or that have low credit risk at the reporting date, the expected credit losses are recognised at an amount equal to the portions of lifetime expected credit losses that result from default events possible within the next 12 months;

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but there is no objective evidence of impairment, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset;

Stage 3: For financial instruments in default at the end of the reporting period, lifetime expected credit losses are recognised and interest revenue is calculated on the net carrying amount of the asset.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

ECL (Continued)

POCI are financial assets that are credit-impaired on initial recognition. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit-impaired at initial recognition. The Group include the initial lifetime expected credit losses in the estimated cash flows when calculating the credit-adjusted effective interest rate. At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

Significant increase in credit risk (Stage 2)

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on an ongoing basis. The Group sufficiently considers reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, external credit rating, repayment ability, operation capacity, repayment behaviours, etc. The Group compares the risk of a default occurring as at the end of the reporting period with that as at the date of initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk characteristics. The Group also considers the following factors to determine whether there is significant increase in credit risk:

– Significant change in the financial instrument's credit rating;

– The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– The borrower fails to make contractual payments within 30 days and 90 days of when they fall due, except for debt securities;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer; and

– A significant decline in the market price of debt instrument.

Definition of default (Stage 3)

The Group considers that loan receivables and other receivables are in default when the counterparty fails to make contractual payments within 90 days of when they fall due. The Group also considers debt securities are in default when an event of default occurs and is not rectified within the prescribed grace period for remedial action as stipulated in that financial instrument. The Group also considers the financial asset to be in default when it is highly probable that the borrower will enter bankruptcy or have difficulty in refinancing and have no other realistic option than to restructure their debt.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

The Group is subject to credit risk exposure according to their relevant credit risk exposure:

Gross carrying amount	Simplified approach HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	POCI HK$'000
31st March 2022					
Bank balances and cash					
Unrestricted	–	243,431	–	–	–
Restricted	–	348,032	–	–	–
Amounts due from joint ventures	–	406,140	–	–	–
Loan receivables	–	2,274	–	8,812	–
Trade and other receivables excluding interest receivables	1,850	54,595	–	–	–
Financial assets at FVOCI and related interest receivables	–	464,854	183,003	1,149,655	216,427
31st March 2021					
Bank balances and cash					
Unrestricted	–	814,314	–	–	–
Restricted	–	47,825	–	–	–
Amounts due from joint venture	–	385,171	–	–	–
Loan receivables	–	21,404	–	–	–
Trade and other receivables excluding interest receivables	3,015	49,234	–	–	–
Financial assets at FVOCI and related interest receivables	–	5,081,600	145,946	–	–

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

For cash and banks, the Group has limited its credit exposure by restricting the selection of financial institutions.

For amounts due from joint ventures, the advances are mainly for financing the underlying property development projects. Management considered the credit risk of these advances to be immaterial given the property development projects are currently progressing according to plan and there are sufficient headroom comparing to the underlying cost.

Trade receivables mainly represents rental receivables and receivables from hotel operation. The Group requests rental deposits from tenants to minimise the credit exposure to the Group. Receivables from hotel operations mainly represents receivables from credit cards which are from reputable financial institutions. Considering the above, the Group considers the credit risk to be minimal.

Other receivables and loan receivables mainly represents other rental receivables and loan receivables from third parties. The credit exposures are assessed based on the credit quality of the debtors, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored. The exposure to these credit risks are monitored on an ongoing basis. The Group has made an ECL of HK$1.7 million as at 31 March 2022 (2021: HK$1.5 million) for other receivables and loan receivables.

During the year ended 31st March 2022, the PRC government intensified efforts to limit developers' leverage, which had a negative impact on the overall real estate sector and had affected market confidence. Given the change in market conditions, the credit risk for a number of issuers of the debt securities that the Group holds has significantly increased and some of which have been in default in making interest and principal payments. Several real estate developers, by extending or restructuring their debts, have effectively addressed their liquidity issues. This entails an extension of loan maturity, with amortisation over the tenor, and coupon rates unchanged or reduced without any principal haircut on the debt. Other Chinese developers are pursuing similar solutions. Due to the increased credit risk and financial uncertainties of these issuers, certain issuers have been classified as stage 2 and some other issuers have been classified as stage 3 according to HKFRS 9, leading to the increase in the recognition in ECL.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

During the year, the following loss allowances were recognised in consolidated profit and loss account in relation to the Group's debt securities at FVOCI:

	Stage 1		Stage 2		Stage 3		POCI		Total	
In HK$'000	Fair value	ECL	Fair value	ECL	Fair value	ECL	Fair value	ECL	Fair value	ECL
At 31st March 2021	4,752,150	35,045	136,529	36,029	-	170,833	-	-	4,888,679	241,907
New assets originated or purchased	460,721	33,000	-	-	-	-	252,562	-	713,283	33,000
Payments and assets derecognised	(938,146)	(4,442)	-	-	-	-	-	-	(938,146)	(4,442)
Transfers to Stage 2	(354,084)	(23,472)	354,084	23,472	-	-	-	-	-	-
Transfers to Stage 3	(3,650,770)	(35,047)	(136,529)	(36,029)	3,787,299	71,076	-	-	-	-
Credit quality related changes	-	(994)	-	12,434	-	1,012,611	-	19,986	-	1,044,037
Change in fair value	3,391	-	(221,434)	-	(2,908,649)	-	(41,047)	-	(3,167,739)	-
At 31st March 2022	273,262	4,090	132,650	35,906	878,650	1,254,520	211,515	19,986	1,496,077	1,314,502
Total ECL charge to profit and loss account for the year										1,072,595
At 31st March 2020	5,851,441	51,688	-	-	30,817	139,938	-	-	5,882,258	191,626
New assets originated or purchased	2,411,433	14,960	-	-	-	-	-	-	2,411,433	14,960
Payments and assets derecognised	(3,662,923)	(28,715)	-	-	-	-	-	-	(3,662,923)	(28,715)
Transfers to Stage 2	(161,665)	(3,221)	161,665	3,221	-	-	-	-	-	-
Credit quality related changes	-	333	-	32,808	-	30,895	-	-	-	64,036
Change in fair value	313,864	-	(25,136)	-	(30,817)	-	-	-	257,911	-
At 31st March 2021	4,752,150	35,045	136,529	36,029	-	170,833	-	-	4,888,679	241,907
Total ECL charge to profit and loss account for the year										50,281

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

The Group estimates the loss allowances for FVOCI financial investments under stage 1 and stage 2 by referencing to data published by credible rating agencies and other forward-looking factors which taking into account of the macro encomic information the latest developments of the issuer.

For the credit-impaired debt securities (stage 3), the impairment loss was estimated based on management's assessment on the eventual shortfall of cash recoverable using a lifetime expected credit loss model. The impairment assessment used key inputs based on financial information extracted from the most recent available financial information of the issuer.

The assessments on the debt securities at FVOCI in Stage 3 involved probability weighted outcomes and calculation of an expected value as a whole. Such outcomes include:

- For the notes subject to a restructuring scheme announced by the issuer, discounted cashflow method was used according to the accounting standards. The cashflow and timing set out in the approved scheme was adopted, discount factors were determined using original purchase yield, and scenarios analysis in estimation was applied according to the accounting standards.

- For the notes with no scheme of arrangement announced, some of them already had relatively advanced draft restructuring terms whereas some of them, despite no restructuring terms having been agreed, had directional guidance on the restructuring (e.g. no haircut on principal, amortisation within certain number of years, etc.). Assessments on these notes included formulation of various probable restructuring plans (e.g. longer repayment period, reduced coupon rates and/or haircut on principal amount, and implementation date), thereafter various discounted cashflows based on different probable restructuring plans were conducted for these notes.

- Deferral of repayments under the restructuring terms (as per the announced restructuring plan or the probable restructuring plans formulated by management) by 1 to 2 instalments, and same valuation work as mentioned above was conducted based on the longer repayment periods under the respective restructuring plans.

- Recovering the investment through sales of the notes in the market based on its market price at 31st March 2022.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(b) Credit risk (Continued)

- Liquidation of the issuer, in which case a discount was applied to the issuer's consolidated assets at its latest published balance sheet date to arrive at a break-up value of the assets, and a present value of such assets after factoring in the time needed for realisation of the assets. The amount was then applied towards settlement of liabilities of the issuer, taking into account the rankings and priorities of those debts.

After calculating the expected values of each financial investment under different scenarios derived from the above principles, a probability weight in percentage was assigned for each scenario with a higher probability weight being assigned to the scenario to reflect the most likely outcome and vice versa, and a weighted ECL was calculated for each financial asset.

The below table illustrates the major contributors for the ECL that have defaulted during the year ended 31st March 2022 and the assumptions used in estimating the ECL recorded:

Issuer of debt securities	Unrealised loss for the year ended 31st March 2022 HK$ million	Change in ECL recorded in profit and loss for the year ended 31st March 2022 HK$ million	ECL balance as at 31st March 2022 HK$ million	Scenario	Scenario probability	Payment terms	Coupon rate
Bond issuer 1	(833)	(327)	332	Restructuring Straight sale Liquidation	5% - 60%	6 - 8 years	5% - 9%
Bond issuer 2	(1,539)	(551)	560	Restructuring Straight sale Liquidation	5% - 60%	6 - 8 years	5% - 9%
Bond issuer 3	–	(45)	47	Restructuring Straight sale Liquidation	5% – 80%	3 years	10%
Bond issuer 4	(104)	(34)	38	Restructuring Straight sale Liquidation	5% – 90%	5 years	7% – 9%
Bond issuer 5	(131)	(22)	24	Restructuring Straight sale Liquidation	5% – 80%	5 years	7% – 9%

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group closely monitors its liquidity through maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and compliance of financial covenants of borrowings. The Group maintains flexibility in funding by keeping committed credit lines available and maintaining a reasonable level of marketable securities to meet any unexpected and material cash requirements in the course of ordinary business and to provide contingency liquidity support.

The Group had a total of HK$243,431,000 in unrestricted cash balances, and the unused portion of revolving credit facilities amounted to HK$2,183,398,000 as at 31st March 2022.

Subsequent to the balance sheet date, a total of HK$980 million short-term loans outstanding as at 31st March 2022 was repaid and refinanced through the new HK$1.4 billion four-year long-term sustainability linked loan facility.

The relevant maturity groupings on the contractual undiscounted cash flow based on the remaining period at the balance sheet date to the contractual maturity date of the Group's financial liabilities are analysed in the financial statements.

The tables below analyse the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual face value without applying discounted cash flow model based on the earliest date on which the Group is required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

3 Financial Risk Management (Continued)

(I) Financial Risk Factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash flow HK$'000
At 31st March 2022					
Non-derivative financial liabilities					
Trade and other payables	–	109,669	–	–	109,669
Borrowings	407,000	2,057,338	3,937,051	–	6,401,389
Lease liabilities	–	2,719	307	–	3,026
Convertible notes	–	–	–	1,255,363	1,255,363
	407,000	2,169,726	3,937,358	1,255,363	7,769,447
Derivative financial instruments					
Net outflow	–	17,332	38,058	–	55,390
	407,000	2,187,058	3,975,416	1,255,363	7,824,837
At 31st March 2021					
Non-derivative financial liabilities					
Trade and other payables	–	738,436	–	–	738,436
Borrowings	303,325	1,180,861	4,430,294	–	5,914,480
Lease liabilities	–	7,226	2,509	–	9,735
Convertible notes	–	–	–	1,255,363	1,255,363
	303,325	1,926,523	4,432,803	1,255,363	7,918,014
Derivative financial instruments					
Net outflow	–	24,043	77,748	–	101,791
	303,325	1,950,566	4,510,551	1,255,363	8,019,805

(II) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3 Financial Risk Management (Continued)

(II) Capital Risk Management (Continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio against Revalued net assets (note (a)). Revalued net assets are prepared having taken into account the fair value of hotel properties, in addition to the net assets as shown in the consolidated balance sheet prepared in accordance with HKFRS. According to the Group's accounting policies, no properties are to be carried at valuation. Details of the valuation of the hotel properties in operation, prepared for readers' information only, are set out in note 14(a) to the financial statements.

The gearing ratio against revalued net assets is calculated as net debt divided by revalued net assets. Net debt is calculated as total borrowings (including current and non-current as shown in the consolidated balance sheet) and convertible notes less bank balances and cash.

The gearing ratios at 31st March 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Borrowings (note 22)	**6,212,879**	5,690,324
Convertible notes (note 23)	**240,016**	225,455
Less: bank balances and cash (note 19)	**(591,463)**	(862,139)
Net debt	**5,861,432**	5,053,640
Revalued net assets (note (a))	**10,952,000**	13,744,000
Gearing ratio against Revalued net assets	**54%**	37%

Note:

(a) "Revalued net assets" and "Revalued total assets" are not measures of financial performance under generally accepted accounting principles in Hong Kong. The revalued net assets measures and revalued total assets measures used by the Group may not be comparable to other similarly titled measures of other companies and should not necessarily be construed as an alternative to net assets and total assets as determined in accordance with HKFRS.

3 Financial Risk Management (Continued)

(III) Fair Value Estimation

Financial instruments carried at fair value are categorised into 3 levels defined as follows:

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as listed equity securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter investments) is determined by using latest available transaction price or valuation techniques. Judgements as to whether there is an active market may include, but not restricted to, consideration of factors such as the magnitude and frequency of trading activities, the availability of prices and the sizes of bid/ask spreads. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(iii) Financial instruments in level 3

If one or more the significant inputs is not based on observable market data, the instruments are included in level 3.

Level 3 instruments comprised debt securities, unlisted funds which are not traded in an active market. Fair values of these instruments have been determined using appropriate valuation techniques with references including discounted cash flows and asset-based value from financial institutions and other prices observed in recent transactions.

3 Financial Risk Management (Continued)

(III) Fair Value Estimation (Continued)

The following table presents the Group's financial instruments that are measured at fair value at 31st March 2022 and 2021:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
2022			
Assets			
Financial investments			
Financial assets at FVOCI	**165,197**	**1,154,461**	**341,615**
Financial assets at FVPL	**–**	**1,304,851**	**54,830**
Derivative financial instruments	**–**	**127,280**	**–**
	165,197	**2,586,592**	**396,445**
2021			
Assets			
Financial investments			
Financial assets at FVOCI	138,681	4,888,679	–
Financial assets at FVPL	–	1,590,905	42,142
Derivative financial instruments	–	9,840	–
	138,681	6,489,424	42,142
Liabilities			
Derivative financial instruments	–	27,547	–

3 Financial Risk Management (Continued)

(III) Fair Value Estimation (Continued)

The following table presents the changes in level 3 financial instruments of the Group for the year ended 31st March 2021 and 2022:

	Financial assets at FVOCI HK$'000	Financial assets at FVPL HK$'000
At 31st March 2020	–	34,201
Net addition	–	4,416
Fair value gain recognised in profit or loss	–	3,525
At 31st March 2021	–	42,142
Net addition	204,059	8,583
Transfer from level 2	136,529	–
Fair value gain recognised in profit or loss	1,027	4,105
At 31st March 2022	**341,615**	**54,830**

In 2022, except that the Group transferred HK$137 million financial assets at FVOCI from level 2 to level 3 which was resulting from significant reduction in transaction volume, there were no transfer between level 1, 2 and 3. This resulted the Group using discounted cashflow in valuing the financial assets at FVOCI, which included the use of estimated cashflows and comparable market discount rates, which are unobservable.

3 Financial Risk Management (Continued)

(III) Fair Value Estimation (Continued)

The following table summarises the quantitative information about the significant unobservable input used in level 3 fair value measurement:

Description	Fair value as at 31st March 2022 HK$'000	Fair value as at 31st March 2021 HK$'000	Valuation technique	Unobservable input	Relationship of unobservable input to fair value
Financial asset at FVOCI	**341,615**	–	Discounted cash flow methodology	Discount rate ranging from 15% to 25% on estimated contractual cash inflow from the bond	The higher the estimated contractual cash flow from the underlying bond, the higher the fair value. The higher the discount rate, the lower the fair value.
Financial asset at FVPL	**39,550**	26,509	Net asset value from fund statement	Net asset value	The higher the net asset value, the higher the fair value.
Financial asset at FVPL	**15,280**	15,633	Third party valuation report	Fair value of the underlying property based on valuation model	The higher the fair value of the underlying property, the higher the fair value.

4 Critical Accounting Estimates and Judgements

In preparing this consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2021.

The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are set out below:

(A) ECL for Financial Investments

The measurement of the ECL for financial investments is an area that requires significant assumptions about future economic conditions and credit behaviour. These financial investments mainly represent FVOCI debt securities.

Significant judgements are required in applying the accounting requirements for measuring ECL. The Group assessed whether the credit risk of the FVOCI debt securities increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL except for POCI. For FVOCI debt securities that are classified as stage 1 or stage 2, the Group assessed the ECL using a model that incorporated relevant assumptions, including PD and LGD. For FVOCI debt securities classified as stage 3, the Group assessed ECL for each FVOCI debt securities using a discounted cashflow model with probability weightings given to different probable scenarios. For POCI, the Group estimates the lifetime expected credit losses using discounted cash flows from the investment at each reporting date. The assumptions also take into account forward-looking estimates by referencing to macro-economic factors.

The uncertainty of estimates, involvement of significant management judgements and assumptions gave rise to a higher risk of uncertainty in such assessment.

(B) Fair Value of Level 3 Financial Assets at FVOCI

The measurement of fair value for financial assets at FVOCI involved the use of unobservable inputs which may lead to estimation uncertainty. The significant unobservable inputs included estimated future cashflow and the discount rate applied. Although the Group believes that its estimates of fair value are appropriate, the use of different methodology or assumption could lead to different measurement of fair value. For further details, please refer to note 3(III).

(C) Recoverability of Properties Under Development for Sale

The Group assesses the carrying amounts of properties under development for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be fully realised. The assessment requires the use of significant estimates.

4 Critical Accounting Estimates and Judgements (Continued)

(D) Impairment of Trade and Other Receivables and Loan Receivables

The Group measures the loss allowance using a lifetime expected loss for trade receivables. To measure the expected credit losses, trade receivable assets have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contracted assets.

Impairment on other receivables and loan receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The Group consider the ECL for other receivables and loan receivables to be immaterial. Moreover, the Group also reviews the value of the collateral received from the debtors and other type of credit enhancement received during debt collection process in determining the impairment.

Impairment losses on trade and other receivables and loan receivables are recognised within "selling and administrative expenses". Trade and other receivables and loan receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

(E) Income Taxes

The Group is subject to income taxes in Hong Kong and other jurisdictions. Judgement is required in certain provision for income taxes for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Recognition of deferred income tax assets (note 25), which principally relate to tax losses, depends on the management's expectation of future taxable profits that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(F) Impairment of Hotel Properties

The Group's hotel properties ("hotel properties") are stated at cost less depreciation and less impairment, if any, in the respective financial statements. At the end of the reporting period, the Group reviews the carrying amounts of the hotel properties to determine whether those assets have suffered an impairment loss. If such indicator exists, the management relies on the valuation reports prepared by an external independent professional valuer (the "Valuer") by discounted cash flow method to determine the recoverable amount of the hotel properties.

The directors of the Company have exercised judgements and are satisfied that the assumptions used and significant inputs including discount rate, terminal rate, occupancy rate and estimated revenue per available room used in the valuation of the hotel properties are reflective of the current market conditions. Any material changes to these assumptions and significant inputs may result in changes of the recoverable amount of the hotel properties and cause an adjustment to the carrying amount of hotel properties within the next financial year.

As at 31st March 2022, no impairment of the hotel properties (note 14) was recognised in the consolidated financial statements (2021: nil).

5 Segment Information

The Group is principally engaged in hotel operation, property development and financial investments. Revenue includes revenue from hotel and travel operations, interest income and dividend income.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker. The Group is organised into three main reportable operating segments comprising hotel operation, property development and financial investments. Segment assets consist primarily of property, plant and equipment, joint ventures, inventories and trade and other receivables, properties under development for sale and financial investments. Segment liabilities comprise mainly borrowings, trade and other payables, contract liabilities and amounts due to non-controlling interests.

	Hotel operation HK$'000	Property development HK$'000	Financial investments HK$'000	Others HK$'000	Total HK$'000
2022					
Segment revenue	**73,922**	**725**	**909,618**	**5,482**	**989,747**
Contribution to segment results	**(20,166)**	**(7,668)**	**907,424**	**705**	**880,295**
Depreciation	**(110,952)**	**(6,526)**	**–**	**(8,752)**	**(126,230)**
Net investment loss	**–**	**–**	**(1,366,923)**	**–**	**(1,366,923)**
Share of profits less losses of joint ventures	**–**	**632**	**–**	**(415)**	**217**
Segment results	**(131,118)**	**(13,562)**	**(459,499)**	**(8,462)**	**(612,641)**
Unallocated corporate expenses					**(47,350)**
Net finance costs					**(130,408)**
Loss before income tax					**(790,399)**
2021					
Segment revenue	28,267	953	936,596	11,595	977,411
Contribution to segment results	(38,297)	(2,852)	934,237	465	893,553
Depreciation	(111,836)	(5,713)	–	(9,481)	(127,030)
Net investment gain	–	–	66,389	–	66,389
Share of profits less losses of joint ventures	–	2,047	–	(368)	1,679
Segment results	(150,133)	(6,518)	1,000,626	(9,384)	834,591
Unallocated corporate expenses					(54,313)
Net finance costs					(149,900)
Profit before income tax					630,378

5 Segment Information (Continued)

	Business segments					
	Hotel operation HK$'000	Property development HK$'000	Financial investments HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
2022						
Assets	**3,010,959**	**2,218,739**	**3,704,530**	**18,565**	**161,180**	**9,113,973**
Assets include:						
Joint ventures	**–**	**584,850**	**–**	**193**	**–**	**585,043**
Addition to non-current assets*	**149,948**	**2,946**	**–**	**–**	**65**	**152,959**
Liabilities						
Borrowings	**3,519,378**	**407,277**	**299,924**	**–**	**1,986,300**	**6,212,879**
Other liabilities						**718,486**
						6,931,365
2021						
Assets	3,158,288	1,501,511	7,353,574	33,129	63,189	12,109,691
Assets include:						
Joint ventures	–	554,414	–	545	–	554,959
Addition to non-current assets*	10,935	3,776	–	234	9,802	24,747
Liabilities						
Borrowings	3,609,603	84,193	578,309	–	1,418,219	5,690,324
Other liabilities						1,341,037
						7,031,361

* The amounts exclude financial instruments and deferred income tax assets.

5 Segment Information (Continued)

	2022 HK$'000	2021 HK$'000
Revenue		
Hong Kong	104,013	70,575
Overseas	885,734	906,836
	989,747	977,411
Non-current assets*		
Hong Kong	2,885,266	2,855,178
Overseas	587,865	563,727
	3,473,131	3,418,905

* The amounts exclude financial instruments and deferred income tax assets.

Sales of goods and services and other revenue can be further analysed into:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers		
– recognised at a point in time	1,771	3,005
– recognised over time	67,325	30,566
	69,096	33,571
Other sources	18,232	9,456
	87,328	43,027

6 Net Investment (Loss)/Gain

	2022 HK$'000	2021 HK$'000
Financial assets at FVPL		
– net unrealised (loss)/gain from market price movements	(402,517)	59,358
– net unrealised exchange gain/(loss)	58,918	(11,635)
Financial assets at FVOCI		
– net unrealised exchange gain	22,148	13,368
– net realised gain (note (a))	139	47,197
– changes in expected credit losses (note (c))	(1,072,595)	(50,281)
Derivative financial instruments		
– net unrealised gain	26,984	8,382
	(1,366,923)	66,389

Notes:

Supplementary information of net investment (loss)/gain on financial investments:

(a) During the year, 8 (2021: 17) debt securities had been disposed of/redeemed/derecognised.

	2022 HK$'000	2021 HK$'000
Net realised gain on financial assets at FVOCI		
Gross consideration	950,380	4,353,450
Cost of investments	(995,314)	(4,249,656)
Transfer from investment revaluation reserve	45,073	(56,597)
Net realised gain recognised in current year	139	47,197

6 Net Investment (Loss)/Gain (Continued)

Notes: (Continued)

(b) Net unrealised (loss)/gain for the year was mainly generated from the fair value changes of the financial investments that comprised 32 (2021: 30) securities and 3 (2021: 3) unlisted funds as at 31st March 2022.

Summary of net unrealised (loss)/gain for the year:

	2022 **HK$'000**	2021 HK$'000
Debt securities	**(325,556)**	57,566
Unlisted funds	**4,105**	3,525
	(321,451)	61,091

During the year, the following debt securities contributed to the majority of the unrealised loss:

Debt securities	**Unrealised loss for the year ended 31st March 2022** **HK$'000**
Guangzhou R&F 6.8%	**(122,142)**
Guangzhou R&F 7.4%	**(79,153)**
Guangzhou R&F 6.58%	**(61,710)**
	(263,005)

Guangzhou R&F 6.58%, 6.8% and 7.4% notes, issued by Guangzhou R&F Properties Co., Ltd ("Guangzhou R&F"), carry fixed coupon rates of 6.58% per annum (maturing on 4th December 2022), 6.8% per annum (maturing on 16th May 2023), and 7.4% per annum (maturing on 19th October 2022), respectively. These notes are denominated in RMB and are listed in PRC; the 6.58% note is rated "AA+" by China Lianhe Credit Rating Co. Ltd and is listed on the SSE; the 6.8% notes is non-rated and listed on the SSE; and the 7.4% notes is non-rated and listed on the SZSE. The Group acquired them through total return swap arrangement ("TRS") arranged by Morgan Stanley & Co. International plc ("Morgan Stanley"), a public limited company incorporated in England and Wales. Guangzhou R&F is principally engaged in property development, property management, hotel development, commercial operations, and architectural and engineering design in the PRC. Its shares are listed on HKEX (stock code 2777).

6 Net Investment (Loss)/Gain (Continued)

Notes: (Continued)

(c) Summary of expected credit loss for the year:

During the year, the following debt securities contributed to the majority of the changes in expected credit loss:

Debt securities	Changes in ECL for the year ended 31st March 2022 HK$'000
Scenery Journey 12%	(412,980)
Evergrande 8.75%	(139,502)
Evergrande 12%	(133,085)
Scenery Journey 11.5%	(86,086)
Evergrande 11.5%	(43,194)
	(814,847)

Evergrande 8.75%, 11.5% and 12% notes, issued by China Evergrande Group ("Evergrande"), carry fixed coupon rates of 8.75% per annum (maturing on 28th June 2025), 11.5% per annum (maturing on 22nd January 2023), and 12% per annum (maturing on 22nd January 2024), respectively. These notes are denominated in USD and are listed on SGX-ST. Evergrande is principally engaged in property development, property management, property construction, hotel operations, finance business, internet business, and health industry business in the PRC. Its shares are listed on HKEX (stock code 3333).

Scenery Journey 11.5% and 12% notes, issued by Scenery Journey, an indirect subsidiary of Evergrande, carry fixed coupon rates of 11.5% per annum (maturing on 24th October 2022), and 12% per annum (maturing on 24th October 2023), respectively. These notes are denominated in USD and are listed on SGX-ST.

7 INCOME AND EXPENSES BY NATURE

	2022 HK$'000	2021 HK$'000
Income		
Operating lease rental income for hotel buildings	9,286	4,633
Interest income from financial assets at FVOCI		
– Listed investments	703,373	916,501
Interest and dividend income from financial assets at FVPL		
– Listed investments	191,945	12,403
– Unlisted investments	3,511	2,810
Interest income from financial assets that are measured at amortised cost		
– Bank deposits	1,403	239
Dividend income from financial assets at FVOCI		
– Listed investments	5,954	3,547
Expenses		
Auditor's remuneration		
– Audit services	4,610	4,439
– Non-audit services	385	1,154
Cost of goods sold and services provided	3,171	4,794
Employee benefit expense including Director's emoluments (note 8)	81,574	77,689
Provision and impairment of receivables	3,098	1,488
Loss on disposal of property, plant and equipment	24	14

8 EMPLOYEE BENEFIT EXPENSE

	2022 HK$'000	2021 HK$'000
Wages and salaries	84,522	80,123
Retirement benefits costs (note (a))	2,012	1,962
	86,534	82,085
Less: Staff cost capitalised in property under development for sale	(4,960)	(4,396)
	81,574	77,689

Staff costs are stated inclusive of Directors' emoluments and are included in cost of sales and selling and administrative expenses.

8 Employee Benefit Expense (Continued)

Notes:

(a) Retirement benefits cost

	2022 **HK$'000**	2021 HK$'000
Gross contributions	**2,003**	1,941
Termination benefit	**9**	21
	2,012	1,962

The Group participates in various types of defined contribution schemes for employees, namely the Mandatory Provident Fund ("MPF") Scheme and Occupational Retirement Scheme Ordinance ("ORSO") Scheme in Hong Kong, Canada Pension Plan ("CPP") in Canada.

In Hong Kong, the Group participates in defined contribution schemes under the ORSO which are available to employees joining before 1st December 2000. Under these schemes, contribution of 5% of the employee's monthly salaries are made by the employees and by the Group. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the MPF schemes, which are available to all employees not joining the ORSO schemes in Hong Kong and in the CPP organised by the Canadian Government for all employees in Canada. Monthly contributions to the MPF scheme and CPP are made equal to 5% (2021: 5%) or a fixed sum and 5.7% (2021: 5.45%) respectively, of the employee's relevant income in accordance with the local legislative requirements.

As at 31st March 2022, no forfeiture (2021: Nil) was available to reduce the Group's future contributions to the ORSO scheme.

(b) Share options

The Company operates share option scheme, whereby options may be granted to employees of the Group including the Executive Directors to subscribe for shares of the Company. The consideration to be paid on each grant of option is HK$1.

Details of share options held under the share option scheme of the Company are as follows:

Date of grant		**Exercise price per share (adjusted)**	**Expiry date**	**Number of share options outstanding at 31st March 2021 and 2022**
11th December 2015	Directors	HK$0.343	10th December 2025	28,800,000

Note:

No options were granted, exercised, cancelled or lapsed for both years.

9 Directors' and Senior Management's Emoluments

(a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2022 and 2021 are set out as follows:

Name of Director	Fees	Salaries	Discretionary bonuses	Housing and other allowances	Employer's contribution to retirement benefits scheme	Total emoluments
2022 (in HK$'000)						
Executive						
Mr. Poon Jing	–	–	5,800	4,260	–	10,060
Dr. Lim Yin Cheng	–	1,200	–	800	–	2,000
Mr. Poon Hai	–	600	7,000	–	18	7,618
Mr. Poon Yeung, Roderick	–	420	7,000	–	18	7,438
Mr. Fung Siu To, Clement	–	–	–	–	–	–
Mr. Woo Wei Chun, Joseph	–	1,500	–	–	18	1,518
	–	3,720	19,800	5,060	54	28,634
Independent Non-executive						
Mr. Ip Chi Wai	275	–	–	–	–	275
Mr. Leung Wai Keung	225	–	–	–	–	225
Mr. Wong Chi Keung	225	–	–	–	–	225
	725	–	–	–	–	725
	725	3,720	19,800	5,060	54	29,359
2021 (in HK$'000)						
Executive						
Mr. Poon Jing	–	–	5,800	4,200	–	10,000
Dr. Lim Yin Cheng	–	1,200	–	857	–	2,057
Mr. Poon Hai	–	600	7,000	–	18	7,618
Mr. Poon Yeung, Roderick	–	420	7,000	–	18	7,438
Mr. Fung Siu To, Clement	–	–	–	–	–	–
Mr. Woo Wei Chun, Joseph	–	1,500	–	–	18	1,518
	–	3,720	19,800	5,057	54	28,631
Independent Non-executive						
Mr. Ip Chi Wai	200	–	–	–	–	200
Mr. Leung Wai Keung	150	–	–	–	–	150
Mr. Hung Yat Ming (resigned on 15th January 2021)	119	–	–	–	–	119
Mr. Wong Chi Keung (appointed on 15th January 2021)	31	–	–	–	–	31
	500	–	–	–	–	500
	500	3,720	19,800	5,057	54	29,131

9 Directors' and Senior Management's Emoluments (Continued)

(a) The aggregate amount of emoluments paid and payable to Directors of the Company for the years ended 31st March 2022 and 2021 are set out as follows: *(Continued)*

Notes:

(i) During the year, no emolument was paid or is payable by the Group to any of the above Directors in respect of accepting office as a director or as compensation for loss of office (2021: Nil).

(ii) No transactions, arrangement and contracts of significance in relation to the Company's business to which its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and his connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

(b) The five highest paid individuals in the Group for the year include four (2021: four) Directors whose emoluments are already reflected in the analysis presented above. The emoluments payable to the remaining one (2021: one) individual during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Basic salaries, allowances and benefits in kind	**2,100**	2,100

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
HK$2,000,001 – HK$3,000,000	**1**	1

(c) Senior management remuneration by band

The emoluments of the senior management fell within the following band:

	Number of individuals	
	2022	2021
Less than HK$1,000,000	**1**	1
HK$1,000,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$3,000,000	**1**	1

10 Net Finance Costs

	2022 HK$'000	2021 HK$'000
Interest expense		
Long term bank loans	**(100,946)**	(101,659)
Short term bank loans and overdrafts	**(8,814)**	(10,939)
Lease liabilities	**(149)**	(247)
Convertible notes	**(15,782)**	(14,829)
Derivative financial instruments	**(24,372)**	(14,660)
Interest capitalised (note)	**20,083**	13,968
	(129,980)	(128,366)
Other incidental borrowing costs	**(16,239)**	(17,441)
Net foreign exchange loss on borrowings	**(150)**	(710)
Fair value gain/(loss) on derivative financial instruments		
Cash flow hedge – ineffective portion	**15,961**	(3,383)
	(130,408)	(149,900)

Note:

Borrowing costs were capitalised at rates ranging from 2.01% to 3.62% (2021: 2.14% to 2.78%) per annum.

11 Income Tax Credit/(Expense)

	2022 HK$'000	2021 HK$'000
Current income tax credit/(expense)		
Hong Kong profits tax	**(6,958)**	(25,215)
Overseas profits tax	**(581)**	(322)
Over/(under) provision in prior years	**7,840**	(4,592)
	301	(30,129)
Deferred income tax credit	**44,112**	21,062
	44,413	(9,067)

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of tax prevailing in the countries in which the Group operates.

11 Income Tax Credit/(Expense) (Continued)

The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax	(790,399)	630,378
Less: share of profits less losses of joint ventures	(217)	(1,679)
	(790,616)	628,699
Calculated at a tax rate of 16.5% (2021: 16.5%)	130,452	(103,735)
Over/(under) provision in prior years	7,840	(4,592)
Effect of different tax rates in other countries	3,682	2,635
Income not subject to income tax	154,758	148,576
Expenses not deductible for tax purposes	(243,441)	(22,012)
Tax losses not recognised	(27,107)	(27,503)
Utilisation of previously unrecognised tax losses	–	140
Others	18,229	(2,576)
Income tax credit/(expense)	44,413	(9,067)

12 Dividends/Coupon on Convertible Notes

	2022 HK$'000	2021 HK$'000
Dividend:		
– Interim, nil (2021: Nil)	–	–
– Final, proposed, nil (2021: HK0.65 cent) to shareholders (note (a))	–	13,117
	–	13,117

	2022 HK$'000	2021 HK$'000
0.1% coupon (2021: HK0.6046 cent) per note to convertible note holders (note (b)):		
– fixed coupon	1,220	1,220
– additional coupon	–	15,062
	1,220	16,282

12 Dividends/Coupon on Convertible Notes (Continued)

Notes:

(a) At a meeting held on 29th June 2022, the Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2022 (2021: HK0.65 cent per share). No interim dividend was declared during the year (2021: Nil).

(b) According to the deed poll of the convertible notes, the holders of convertible notes are entitled to receive additional coupon on top of fixed coupon such that the total coupon per note received is the same as dividend per share received by ordinary shareholders. The amount of HK$1,220,000 is based on 2,693,120,010 (2021: 2,693,120,010) convertible notes outstanding as at 29th June 2022. The fixed coupon of HK$1,220,000 (2021: HK$1,220,000) is calculated as 0.1% of redemption value of the convertible notes for that period and was reflected as convertible notes interest under "net finance costs" for the year ended 31st March 2022. The holders of convertible notes did not entitle additional coupon for the year ended 31st March 2022.

Since no final dividend was declared for the year ended 31st March 2022, the payment of the coupon will be deferred until such time as a dividend of the Company is declared and paid.

13 (Loss)/Earnings Per Share

The calculation of (loss)/earnings per share is based on profit attributable to shareholders of the Company and divided by the weighted average number of shares in issue.

The effect of the exercise of convertible note was not included in the calculation of diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended 31st March 2022 is same as basic loss per share.

The calculation of basic and diluted (loss)/earnings per share for the year is based on the following:

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit attributable to shareholders of the Company for calculation of basic earnings per share	**(746,382)**	621,505
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	**–**	14,829
(Loss)/profit for calculation of diluted earnings per share	**(746,382)**	636,334
	Number of shares	
Weighted average number of shares in issue for calculation of basic (loss)/earnings per share	**2,018,040,477**	2,018,040,477
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	**–**	–
Convertible notes assumed to be converted at the beginning of the year	**–**	2,693,120,010
Weighted average number of shares for calculation of diluted (loss)/earnings per share	**2,018,040,477**	4,711,160,487
Basic (loss)/earnings per share (HK cents)	**(37.0)**	30.8
Diluted (loss)/earnings per share (HK cents)	**(37.0)**	13.5

14 Property, Plant and Equipment

	Buildings HK$'000	Plant and equipment HK$'000	Right-of-use assets HK$'000	Total HK$'000
Cost				
At 31st March 2020	1,155,938	651,824	2,601,956	4,409,718
Currency translation differences	–	5,481	122	5,603
Additions	–	11,387	10,989	22,376
Disposals	–	(583)	(7,333)	(7,916)
At 31st March 2021	1,155,938	668,109	2,605,734	4,429,781
Accumulated depreciation				
At 31st March 2020	328,661	494,170	619,491	1,442,322
Currency translation differences	–	4,304	66	4,370
Charge for the year	31,786	38,218	57,026	127,030
Disposals	–	(554)	(7,333)	(7,887)
At 31st March 2021	360,447	536,138	669,250	1,565,835
Net book value				
At 31st March 2021	795,491	131,971	1,936,484	2,863,946
Cost				
At 31st March 2020	1,155,938	668,109	2,605,734	4,429,781
Currency translation differences	–	672	13	685
Additions (note c)	–	17,649	132,692	150,341
Disposals	–	(267)	(1,518)	(1,785)
At 31st March 2022	**1,155,938**	**686,163**	**2,736,921**	**4,579,022**
Accumulated depreciation				
At 31st March 2020	360,447	536,138	669,250	1,565,835
Currency translation differences	–	606	14	620
Charge for the year	31,786	37,253	57,191	126,230
Disposals	–	(233)	(1,518)	(1,751)
At 31st March 2022	**392,233**	**573,764**	**724,937**	**1,690,934**
Net book value				
At 31st March 2022	**763,705**	**112,399**	**2,011,984**	**2,888,088**

14 Property, Plant and Equipment (continued)

Notes:

(a) Total carrying values of hotel properties comprise the following:

	2022 **HK$'000**	2021 HK$'000
Land and buildings	**2,568,459**	2,649,984
Plant and equipment	**86,136**	88,785
	2,654,595	2,738,769

Supplementary information with hotel properties at valuation:

The following market value of the Group's hotel properties is for the reference to the readers only and is not accounted for in the Group's consolidated balance sheet and does not constitute a disclosure requirement under HKAS 16 and HKFRS 16.

The aggregate open market value, on a highest and best use basis, of the five (2021: five) hotel properties in Hong Kong based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers") (2021: Vigers), external independent professional valuers, amounted to HK$11,424,200,000 (2021: HK$11,404,900,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

The hotel properties portfolio in Hong Kong comprised five (2021: five) hotels. Vigers used the discounted cash flow ("DCF") method, which is considered the most appropriate valuation approach for assessing the market value of the properties as it would better reflect specific characteristics of the income-producing properties such as occupancies, average room rates, potential income growth and all out-goings, subject to future economic conditions in the markets.

(b) As at 31st March 2022, the aggregate net book value of hotel properties pledged as security for loans amounted to HK$2,654,595,000 (2021: HK$2,738,769,000).

(c) As at 31st March 2022, the cost of properties held for development amounted to HK$203,611,000 (2021: HK$72,188,000).

14 Property, Plant and Equipment (Continued)

Notes: (Continued)

(d) This note provides information for leases where the Group is a lessee.

Right-of-use assets

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following carrying amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leasehold land (note)	**2,008,365**	1,926,682
Leased properties-offices and warehouses	**3,619**	9,802
	2,011,984	1,936,484
Lease liabilities		
Current liabilities (included in trade and other payables)	**2,702**	7,085
Non-current liabilities	**302**	2,490
	3,004	9,575

Note: The Group has land lease arrangements for leasehold land in Hong Kong.

Additions to the right-of-use assets regarding leased offices during the year ended 31st March 2022 was HK$1,269,000 (2021: HK$10,989,000).

(ii) Amounts recognised in the consolidated profit and loss account

The consolidated profit and loss account shows the following expenses relating to leases:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets		
Leasehold land	**49,738**	49,738
Leased properties-offices and warehouses	**7,453**	7,288
	57,191	57,026
Interest expenses (included in net finance cost)	**149**	247

Total cash outflow for leases for the year ended 31st March 2022 was HK$7,989,000 (2021: HK$7,800,000).

15 Joint Ventures

	2022 HK$'000	2021 HK$'000
Share of net assets	178,903	169,788
Advances to joint ventures	406,140	385,171
	585,043	554,959

Advances of HK$403,424,000 (2021: HK$382,518,000) to joint ventures are made to finance property development projects in Canada. The advances are unsecured and denominated in Canadian dollar.

Advances of HK$2,716,000 (2021: HK$2,653,000) to a joint venture are made to finance catering operation in Hong Kong. The advances are unsecured and denominated in Hong Kong dollar.

The Group has provided financial guarantee for banking facilities granted to certain joint ventures (note 30). There are no other major contingent liabilities relating to the Group's interests in joint ventures.

The carrying amounts of the advances approximate their fair values.

Details of the principal joint ventures are set out in note 34.

Set out below is the aggregate information of the Group's joint ventures that are not individually material:

	2022 HK$'000	2021 HK$'000
Profit before income tax	217	1,679
Income tax expense	–	–
Profit for the year	217	1,679
Other comprehensive income	7,328	59,078
Total comprehensive income for the year	7,545	60,757

There is no joint venture as at 31st March 2022 and 2021, which in the opinion of the Directors, is individually material to the Group.

16 Financial Investments

	2022 HK$'000	2021 HK$'000
Non-current assets		
Debt securities		
– Listed in Singapore	401,122	153,945
– Listed in the PRC	6,224	1,613,305
	407,346	1,767,250
Equity securities		
– Listed in Hong Kong	165,197	138,681
Unlisted funds	54,830	42,142
	627,373	1,948,073
Current assets		
Debt securities		
– Listed in the PRC	1,318,528	–
– Listed in Singapore	542,172	4,223,780
– Listed in Europe	416,352	276,541
– Listed in Hong Kong	116,529	212,013
	2,393,581	4,712,334
	3,020,954	6,660,407
Financial investments are classified in the following categories:		
Non-current assets		
Financial assets at FVOCI	572,543	315,525
Financial assets at FVPL	54,830	1,632,548
	627,373	1,948,073
Current assets		
Financial assets at FVOCI	1,088,730	4,711,834
Financial assets at FVPL	1,304,851	500
	2,393,581	4,712,334
	3,020,954	6,660,407

16 Financial Investments (Continued)

Financial investments are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollar	1,515,551	4,892,288
Renminbi	1,324,752	1,613,305
Hong Kong dollar	165,197	138,680
Japanese yen	15,280	15,634
Euro	174	500
	3,020,954	6,660,407

At 31st March 2022, financial investments equivalent of HK$570,304,000 (2021: HK$1,411,671,000) were pledged as security for borrowings.

Supplementary information of financial investments:

Equity Securities and Unlisted Funds

As at 31st March 2022, the Group held 1 (2021: 1) listed equity security and 3 (2021: 3) unlisted funds. The summary of equity and fund portfolio of financial investments as at 31st March 2022 and 2021 and their corresponding unrealised gain and dividend income for the year ended 31st March 2022 and 2021 are as follows:

	Market value as at 31st March		Unrealised gain for the year ended 31st March		Dividend income for the year ended 31st March	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
HSBC Holdings PLC ("HSBC")	165,197	138,681	26,517	4,115	5,954	3,547
Others	54,830	42,142	4,105	3,525	3,511	2,810
	220,027	180,823	30,622	7,640	9,465	6,357

HSBC is a global banking and financial services company. It operates across various geographical regions, and its shares are listed on HKEX (stock code: 5) and LSE (stock code: HSBA) with an "A-" rated by S&P Global Rating. As at 31st March 2022, a total of 0.02% of shareholding of HSBC was held by the Group.

16 Financial Investments (Continued)

Debt Securities

As at 31st March 2022, the Group held 31 (2021: 29) debt securities, 19 of them are listed in Singapore, 8 in the PRC, 3 in Europe and 1 in Hong Kong. 29 (2021: 28) debt securities were issued by PRC-based real estate companies, the shares of which are all listed in Hong Kong with exception of 1 that is listed in United States, 1 listed in PRC and 2 being unlisted, their mark to market valuation approximately 96% (2021: 98%) of securities portfolio.

The summary of debt securities of financial investments as at 31st March 2022 and 2021 are as follows:

	As at 31st March	
	2022	2021
	HK$'000	HK$'000
Principal amount of notes	**7,215,815**	7,292,084
Investment cost	**6,561,513**	6,752,355
Market value	**2,800,927**	6,479,584
Coupon	**5.9% to 14.5%**	6.58% to 15%
Maturity	**Apr 2022 – Feb 2026**	Oct 2021 – Feb 2026

As at 31st March 2022, the 31 (2021: 29) debt securities gave rise to a net unrealised fair value loss of HK$3,515.4 million (2021: gain of HK$362.5 million) for the year ended 31st March 2022. A total of 4 (2021: 21) debt securities have recorded unrealised fair value gain and the remaining 27 (2021: 8) debt securities that recorded unrealised fair value losses for the year ended 31st March 2022.

As at 31st March 2022, the mark to market valuation of the largest single debt securities within the Group's financial investments represents approximately 3% (2021: 6%) of the Group's revalued total assets (note 3(II)(a)), and the mark to market valuation of the five largest debt securities held represents approximately 9.4% (2021: 14.9%). The remaining 26 debt securities represent 6.2% of the Group's revalued total assets, with each of them less than 1.5%.

16 Financial Investments (Continued)

The five largest debt securities held at 31st March 2022 are as follows:

	Market value				Unrealised (loss)/gain for the year ended 31st March		Interest income for the year ended 31st March	
	31st March 2022 HK$'000	**% of the debt securities portfolio**	31st March 2021 HK$'000	% of the debt securities portfolio	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Pearl River 7.5% notes 1 (i)	**591,157**	**21%**	558,730	9%	**(29,224)**	306	**50,552**	–
Pearl River 7.5% notes 2 (i)	**453,370**	**16%**	473,878	7%	**(20,508)**	(357)	**36,455**	2,997
Jiayuan 11.375% notes (ii)	**278,622**	**10%**	276,541	4%	**2,080**	231	**31,863**	43,044
Golden Wheel 10% notes (iii)	**204,059**	**7%**	–	–	**–**	–	**–**	–
GZ Fineland 13.6% notes (iv)	**156,733**	**6%**	153,945	2%	**2,788**	(1,095)	**21,272**	3,638

(i) These notes are issued by Guangdong Pearl River Investment Co., Limited ("Pearl River"), listed on SSE and denominated in Renminbi. As at 31st March 2022, there were rated "AA+" by Lianhe Limited. The Group acquired them through TRS arranged by Morgan Stanley. Pearl River is principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the PRC. Their parameters are as follows:

	Coupon per annum	**Maturity**	**Put option**
Pearl River 7.5% notes 1	7.5%	19th February 2026	19th February 2023
Pearl River 7.5% notes 2	7.5%	11th January 2026	11th January 2023

(ii) "Jiayuan 11.375% notes", issued by Jiayuan International Group Limited ("Jiayuan") and carries fixed coupon rate of 11.375% per annum. It is denominated in USD and matures on 2nd May 2022. The notes are listed on the FSE. As at 31st March 2022, they were rated "B3" by Moody's Investor Service. Jiayuan is principally engaged in the property development and property investment in the PRC. Its shares are listed on HKEX (stock code: 2768).

(iii) "Golden Wheel 10% notes", issued by Golden Wheel and carries fixed coupon rate at 10% per annum. The notes were exchanged from Golden Wheel 14.25% notes and Golden Wheel 16% notes pursuant to a notes restructuring scheme proposed by Golden Wheel. The scheme was approved by noteholders on 30th March 2022 and became effective on 11th April 2022. The notes are denominated in USD and mature on 11th April 2025 with amortisation during the tenor. They are not rated and listed on SGX-ST.

(iv) "GZ Fineland 13.6% notes", issued by Guangzhou Fineland Real Estate Development Company Limited. ("GZ Fineland") and carries fixed coupon rate of 13.6% per annum. It is denominated in USD and matures on 27th July 2023. The notes are listed on the SGX-ST. As at 31st March 2022, they were rated "B3" by Moody's. GZ Fineland is principally engaged in the property development in the PRC.

17 Properties Under Development for Sale

	2022 HK$'000	2021 HK$'000
Freehold land	**242,104**	238,993
Leasehold land	**78,466**	–
Development costs	**1,080,953**	597,485
	1,401,523	836,478

As at 31st March 2022, the aggregate carrying value of properties under development for sale pledged as security for loan amounted to HK$1,108,069,000 (2021: HK$623,127,000). The amount of properties under development for sale expected to be completed and recovered after more than one year is HK$1,401,523,000 (2021: HK$836,478,000).

18 Trade and Other Receivables

	2022 HK$'000	2021 HK$'000
Trade receivables	**1,850**	6,113
Less: loss allowance	**–**	(3,098)
	1,850	3,015
Accrued interest and dividend receivables	**352,665**	200,189
Prepayments	**37,868**	26,660
Utility and other deposits	**6,356**	6,357
Loan receivables (note)	**11,086**	21,404
Other receivables	**10,371**	16,217
	420,196	273,842

Note:

As at 31st March 2022, loan receivables were unsecured and interest bearing at rates ranging from 6.0% to 12.0% per annum.

Aging analysis of trade receivables net of loss allowance is as follows:

	2022 HK$'000	2021 HK$'000
0 month to 6 months	**1,717**	2,875
7 months to 12 months	**–**	8
More than 12 months	**133**	132
	1,850	3,015

18 Trade and Other Receivables (continued)

Movements on loss allowance for trade receivable are as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	3,098	3,098
Receivables written off as uncollectible	(3,098)	–
At the end of the year	–	3,098

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

The carrying amounts of the trade and other receivables approximate their fair values. They are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollar	302,959	151,189
Hong Kong dollar	36,552	50,624
Renminbi	45,710	45,549
Canadian dollar	34,975	26,480
	420,196	273,842

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above.

19 Bank Balances and Cash

	2022 HK$'000	2021 HK$'000
Cash at bank and in hand	**173,008**	552,481
Short term bank deposits	**70,423**	261,833
Cash and cash equivalents	**243,431**	814,314
Restricted cash balances (note)	**348,032**	47,825
	591,463	862,139

Note: Restricted cash balances as of 31st March 2022 consist primarily of (i) HK$159 million as collateral for a bank credit facility and (ii) HK$138 million as project retention money that is legally required for the construction of our Landmark On Robson development in Vancouver.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollar	**257,549**	355,428
Hong Kong dollar	**95,092**	281,490
Renminbi	**35,460**	132,552
Canadian dollar	**200,432**	86,159
Others	**2,930**	6,510
	591,463	862,139

20 Contract Liabilities

	2022 HK$'000	2021 HK$'000
Deposit received in advance from customers	**245,717**	224,843
At the beginning of the year	**224,843**	197,582
Net increase for transactions during the year	**18,080**	4,025
Exchange differences	**2,794**	23,236
At the end of the year	**245,717**	224,843

Contract liabilities comprise mostly deposits received in advance from properties buyers.

21 Trade and Other Payables

	2022 HK$'000	2021 HK$'000
Trade payables	61,501	687,162
Accrued expenses	33,857	28,674
Construction and retention payables	8,705	10,097
Lease liabilities	2,702	7,085
Other payables	2,904	5,418
	109,669	738,436

Aging analysis of trade payables is as follows:

	2022 HK$'000	2021 HK$'000
0 month to 6 months	61,110	686,622
7 months to 12 months	42	8
More than 12 months	349	532
	61,501	687,162

The carrying amounts of trade and other payables approximate their fair values.

The carrying amounts of trade and other payables of the Group are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong dollar	46,359	50,836
Canadian dollar	63,310	5,584
Renminbi	–	682,016
	109,669	738,436

22 Borrowings

	2022 HK$'000	2021 HK$'000
Current liabilities		
Short term bank loans		
Secured	407,000	303,325
Current portion of long term bank loans		
Secured	978,646	952,286
Unsecured	979,300	135,594
	2,364,946	1,391,205
Non-current liabilities		
Long term bank loans		
Secured	3,847,933	3,319,819
Unsecured	–	979,300
	3,847,933	4,299,119
	6,212,879	5,690,324

The maturities of long term bank loans, based on the scheduled repayment dates set out in the loan agreements and ignoring the effect of any repayment on demand clause, are as follows:

	2022 HK$'000	2021 HK$'000
Repayable within one year	1,957,946	1,087,880
Repayable between one and two years	2,768,575	1,077,899
Repayable between two to five years	1,079,358	3,221,220
	5,805,879	5,386,999
Current portion included in current liabilities	(1,957,946)	(1,087,880)
	3,847,933	4,299,119

22 Borrowings (Continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong dollar	**5,805,602**	5,582,806
Canadian dollar	**407,277**	84,193
United States dollar	**–**	23,325
	6,212,879	5,690,324

The interest rates of the borrowings at the balance sheet date range from 1.16% to 4.06% (2021: 0.91% to 3.51%) per annum.

The carrying amounts of short term and long term borrowings approximate their fair values.

Subsequent to the balance sheet date, a total of HK$980 million short-term loans outstanding as at 31st March 2022 was repaid and refinanced through the new HK$1.4 billion four-year long-term sustainability linked loan facility.

23 Convertible Notes

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**225,455**	211,845
Interest expense (note 10)	**15,782**	14,829
	241,237	226,674
Coupon payable included in trade and other payables	**(1,221)**	(1,219)
At the end of the year	**240,016**	225,455

The Company issued a total of 2,693,204,266 convertible notes (under bonus issue scheme) on 23rd February 2017. The convertible notes bear interest at 0.1% per annum on the redemption value of HK$0.453 per note and have dividend entitlement. Where a final dividend on the shares has not been declared and paid in any particular year, the 0.1% coupon will be deferred until the next dividend payment (if previously unpaid) and the accumulated deferred coupon would be paid on maturity date on 23rd February 2047 at HK$0.453 each.

Each noteholder has the option to convert the notes into fully paid ordinary shares on a one to one basis (subject to anti-dilutive adjustment due to certain corporate actions) at any time from the first business day immediately following the issue date up to and including the date falling on the 10th business day prior to the thirtieth anniversary of the issue date. Unless previously converted, the convertible notes will be redeemed on the thirtieth anniversary of the issue date at HK$0.453 each.

23 Convertible Notes (Continued)

Save as disclosed above, the terms and conditions of the convertible notes are set out in the respective subscription agreements and disclosed in the Company's circular dated 27th January 2017.

The fair value of the liability component of approximately HK$175 million and the equity component of approximately HK$1,067 million were determined at the issuance of the convertible notes. The fair value of the liability component was calculated using cash flows discounted at a market interest rate. The residual amount, representing the value of equity component, is credited to a convertible note redemption reserve under equity attributable to the Company's shareholders.

The interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate per annum.

24 Derivative Financial Instruments

	2022 **HK$'000**	2021 HK$'000
Non-current assets		
Interest rate swaps (cash flow hedges)	**39,202**	1,458
Interest rate swaps	**88,078**	8,382
	127,280	9,840
Non-current liabilities		
Interest rate swaps (cash flow hedges)	**–**	(27,547)

The principal amount of the outstanding interest rate swap contract was HK$3,243,000,000 (2021: HK$3,243,000,000).

The Group's derivative financial instruments were settled on a net basis.

25 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets with current income tax liabilities and when the deferred income tax related to the same tax jurisdiction. The offset amounts are as follows:

	2022 **HK$'000**	2021 HK$'000
Deferred income tax assets	**61,485**	29,475
Deferred income tax liabilities	**(17,122)**	(13,646)
	44,363	15,829

25 Deferred Income Tax (Continued)

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred Income Tax Assets

	Accelerated accounting depreciation		Fair value adjustments		Tax loss		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**2,114**	2,256	**–**	3,464	**87,993**	57,986	**90,107**	63,706
Recognised in profit and loss account	**545**	(142)	**19,149**	–	**26,113**	30,007	**45,807**	29,865
Recognised in other comprehensive income	**–**	–	**(13,091)**	(3,464)	**–**	–	**(13,091)**	(3,464)
At the end of the year	**2,659**	2,114	**6,058**	–	**114,106**	87,993	**122,823**	90,107

Deferred Income Tax Liabilities

	Accelerated tax depreciation		Fair value adjustments		Total	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**(68,430)**	(67,847)	**(5,848)**	(7)	**(74,278)**	(67,854)
Recognised in profit and loss account	**(385)**	(583)	**(1,310)**	(8,220)	**(1,695)**	(8,803)
Recognised in other comprehensive income	**–**	–	**(2,487)**	2,379	**(2,487)**	2,379
At the end of the year	**(68,815)**	(68,430)	**(9,645)**	(5,848)	**(78,460)**	(74,278)

Deferred income tax assets are recognised for tax loss carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$43 million (2021: HK$32 million) in respect of losses amounting to HK$177 million (2021: HK$136 million) that can be carried forward against future taxable income. As at 31st March 2022, except for tax losses of HK$36 million (2021: HK$40 million) which have no expiry date, the balance will expire at various dates up to and including 2042.

26 Share Capital

Shares of HK$0.02 each	**Number of shares**	**Amount** HK$'000
Authorised:		
At 31st March 2022 and 31st March 2021	35,000,000,000	700,000
Issued and fully paid:		
At 31st March 2022 and 31st March 2021	2,018,040,477	40,361

27 Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Convertible note redemption reserve HK$'000	Investments revaluation reserve HK$'000	Currency translation reserve HK$'000	Share option reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 31st March 2020	1,126,360	37	1,067,444	(968,122)	(46,315)	3,423	2,299,767	3,482,594
Net fair value gain on financial assets at FVOCI	–	–	–	835,892	–	–	–	835,892
Cash flow hedges								
– fair value loss	–	–	–	(18,163)	–	–	–	(18,163)
– deferred tax on derivative financial instruments	–	–	–	3,746	–	–	–	3,746
Currency translation differences	–	–	–	–	57,176	–	–	57,176
Share of currency translation of joint ventures	–	–	–	–	53,735	–	–	53,735
Profit for the year	–	–	–	–	–	–	621,505	621,505
At 31st March 2021	1,126,360	37	1,067,444	(146,647)	64,596	3,423	2,921,272	5,036,485
Representing:								
2021 proposed final dividend and coupon to convertible note holders	–	–	–	–	–	–	28,179	28,179
Others	1,126,360	37	1,067,444	(146,647)	64,596	3,423	2,893,093	5,008,306
At 31st March 2021	1,126,360	37	1,067,444	(146,647)	64,596	3,423	2,921,272	5,036,485
At 31st March 2021	1,126,360	37	1,067,444	(146,647)	64,596	3,423	2,921,272	5,036,485
Net fair value loss on financial assets at FVOCI	–	–	–	(2,225,909)	–	–	–	(2,225,909)
Cash flow hedges								
– fair value gain	–	–	–	102,042	–	–	–	102,042
– deferred tax on derivative financial instruments	–	–	–	(16,837)	–	–	–	(16,837)
Currency translation differences	–	–	–	–	11,819	–	–	11,819
Share of currency translation of joint ventures	–	–	–	–	6,695	–	–	6,695
Loss for the year	–	–	–	–	–	–	(746,382)	(746,382)
2021 final dividend to shareholders	–	–	–	–	–	–	(13,117)	(13,117)
2021 coupon to convertible note holders	–	–	–	–	–	–	(15,062)	(15,062)
At 31st March 2022	**1,126,360**	**37**	**1,067,444**	**(2,287,351)**	**83,110**	**3,423**	**2,146,711**	**2,139,734**
Representing:								
2022 proposed final dividend and coupon to convertible noteholders	–	–	–	–	–	–	–	–
Others	1,126,360	37	1,067,444	(2,287,351)	83,110	3,423	2,146,711	2,139,734
At 31st March 2022	**1,126,360**	**37**	**1,067,444**	**(2,287,351)**	**83,110**	**3,423**	**2,146,711**	**2,139,734**

28 Commitments

Commitments at the balance sheet date are as follows:

	2022 **HK$'000**	2021 HK$'000
Contracted but not provided for		
Property, plant and equipment	**2,022**	2,104

29 Operating Lease Arrangements

Lessor

At 31st March 2022 and 2021, the future aggregate minimum rental receipts receivable under non–cancellable operating leases were as follows:

	2022 **HK$'000**	2021 HK$'000
In respect of land and buildings:		
Within one year	**6,461**	6,630
In the second to fifth year inclusive	**3,850**	9,456
	10,311	16,086

30 Financial Guarantees

	2022 **HK$'000**	2021 HK$'000
Guarantees for the banking and loan facilities of joint ventures	**397,794**	392,683

31 Notes To Consolidated Statement of Cash Flows

(A) Reconciliation of (Loss)/Profit Before Income Tax to Net Cash (Used in)/ Generated From Operations

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit before income tax	**(790,399)**	630,378
Depreciation	**126,230**	127,030
Interest income	**(216,439)**	(92,817)
Provision of impairment of other receivables	**–**	1,488
Impairment of other receivables	**244**	–
Finance costs	**143,350**	128,541
Loss on disposal of property, plant and equipment	**24**	14
Net investment loss/(gain)	**1,319,347**	(66,389)
Share of profits less losses of joint ventures	**(217)**	(1,679)
Operating profit before working capital changes	**582,140**	726,566
Increase in properties under development for sale (excluding interest expense capitalised)	**(539,066)**	(218,578)
Decrease in inventories	**665**	1,598
Increase in trade and other receivables	**(64,904)**	(3,251)
Net proceeds from financial investments	**255,137**	279,249
(Decrease)/increase in trade and other payables	**(685,212)**	784,605
Increase in contract liabilities	**18,080**	4,025
(Increase)/decrease in restricted bank balances	**(295,749)**	41,814
Net cash (used in)/generated from operations	**(728,909)**	1,616,028

31 Notes to Consolidated Statement of Cash Flows (Continued)

(B) Reconciliation of Liabilities Arising from Financing Activities

	Bank borrowings HK$'000	Convertible notes HK$'000	Amount due to non-controlling interests HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31st March 2020	6,576,953	211,845	44,511	6,085	6,839,394
Financing cash flows					
Net repayment	(912,275)	–	–	–	(912,275)
Lease payment	–	–	–	(7,800)	(7,800)
Contribution from non-controlling interests	–	–	2,129	–	2,129
Non-cash changes					
Amortisation of loan facilities fees and issue expense	14,125	–	–	–	14,125
Accrued interest relating to convertible notes	–	14,830	–	–	14,830
Coupon payable included in trade and other payables	–	(1,220)	–	–	(1,220)
Addition of lease liabilities	–	–	–	10,989	10,989
Finance cost charged	–	–	–	247	247
Exchange translation differences	11,521	–	–	54	11,575
At 31st March 2021	5,690,324	225,455	46,640	9,575	5,971,994
Financing cash flows					
Net drawdown	508,063	–	–	–	508,063
Lease payment	–	–	–	(7,989)	(7,989)
Contribution from non-controlling interests	–	–	2,007	–	2,007
Non-cash changes					
Amortisation of loan facilities fees and issue expense	13,221	–	–	–	13,221
Accrued interest relating to convertible notes	–	15,781	–	–	15,781
Coupon payable included in trade and other payables	–	(1,220)	–	–	(1,220)
Addition of lease liabilities	–	–	–	1,260	1,260
Finance cost charged	–	–	–	149	149
Exchange translation differences	1,271	–	–	9	1,280
At 31st March 2022	**6,212,879**	**240,016**	**48,647**	**3,004**	**6,504,546**

32 Related party transactions

The major shareholders of the Group are Asia Standard International Group Limited ("ASI") and Asia Orient Holdings Limited ("Asia Orient"), companies incorporated in Bermuda and listed in Hong Kong. As at 31st March 2022, Asia Orient owns effectively 66.7% of the Company's shares. The remaining 33.3% shares are widely held.

The details of balances and transactions with joint ventures are disclosed in note 15.

In addition to the related party information shown elsewhere in the financial statements, the following transactions were carried out with related parties:

(A) Sales and Purchases of Goods and Services

	2022 **HK$'000**	2021 HK$'000
Income from/(expense to) subsidiaries of Asia Orient		
Hotel and travel services (note (i))	**19**	30
Rental and management services (note (ii))	**(6,114)**	(6,115)
Project management service (note (iii))	**(4,524)**	(4,350)
Travel agency service income from related companies (note (i))	**–**	6

Notes:

(i) Hotel services income and travel agency service income are subject to mutually agreed fees.

(ii) Rental expense and management service are subject to terms agreed by the parties involved, which are at a fixed monthly fee.

(iii) Project management service expenses are subject to mutually agreed terms.

(B) Key Management Compensation

	2022 **HK$'000**	2021 HK$'000
Fee	**725**	500
Salaries, allowances and benefits in kind	**31,040**	31,137
Employer's contribution to retirement benefits scheme	**67**	72
	31,832	31,709

Key management includes the Company's Directors and two (2021: two) senior management members of the Group. No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 9.

33 Balance Sheet of the Company

	2022 HK$'000	2021 HK$'000
Non-current assets		
Subsidiaries (note (a))	**–**	–
Current assets		
Amounts due from subsidiaries	**4,218,664**	4,240,516
Trade and other receivables	**439**	419
Income tax recoverable	**279**	–
Bank balances and cash		
– Unrestricted	**21,487**	958
	4,240,869	4,241,893
Current liabilities		
Trade and other payables	**3,409**	4,766
Net current assets	**4,237,460**	4,237,127
Non-current liabilities		
Convertible notes	**240,016**	225,455
Net assets	**3,997,444**	4,011,672
Equity		
Share capital	**40,361**	40,361
Reserves (note (b))	**3,957,083**	3,971,311
	3,997,444	4,011,672

Lim Yin Cheng
Director

Woo Wei Chun, Joseph
Director

33 BALANCE SHEET OF THE COMPANY (CONTINUED)

Notes:

(a) As at 31st March 2022 and 2021, the shares of certain subsidiaries are pledged to secure loan facilities granted to the Group.

Details of the principal subsidiaries are set out in note 34.

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible note redemption reserve HK$'000	Share option reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 31st March 2020	1,126,360	80,991	1,067,444	3,423	1,645,886	3,924,104
Profit for the year	–	–	–	–	47,207	47,207
At 31st March 2021	1,126,360	80,991	1,067,444	3,423	1,693,093	3,971,311
At 31st March 2021	1,126,360	80,991	1,067,444	3,423	1,693,093	3,971,311
2021 final dividend to shareholders	–	–	–	–	(13,117)	(13,117)
Coupon to convertible note holders	–	–	–	–	(15,062)	(15,062)
Profit for the year	–	–	–	–	13,951	13,951
At 31st March 2022	**1,126,360**	**80,991**	**1,067,444**	**3,423**	**1,678,865**	**3,957,083**

The revenue reserve is distributable. Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is also distributable.

34 Principal Subsidiaries and Joint Ventures

Listed below are the principal subsidiaries and joint ventures which, in the opinion of the Directors, principally affect the results and/or net assets of the Group.

(a) Subsidiaries

(Unless indicated otherwise, they are indirectly wholly owned by the Company and have their principal place of operations in Hong Kong.)

Name	Principal activity	Issued and fully paid/ Paid-up capital
Incorporated in Hong Kong		
Asia Standard Hotel (Holdings) Limited	Investment holding	HK$2
Asia Standard Hotel Management Services Limited	Hotel Management services	HK$1
Empire Hotel International Company Limited	Securities investment	HK$2
JBC Travel Company Limited	Travel agency	HK$2,500,000
Master Asia Enterprises Limited	Hotel investment and operation	HK$10,000
Pacific Crown Enterprises Limited	Hotel investment and operation	HK$1
Stone Pole Limited	Hotel investment and operation	HK$10
Sure Luck Development Limited	Hotel investment and operation	HK$1
Vinstar Development Limited	Hotel investment and operation	HK$2
Incorporated in the British Virgin Islands		
Asia Standard Hotel (BVI) Limited (i)	Investment holding	US$1
Assets Century Global Limited	Investment holding	US$1
Concept Eagle Limited	Investment holding	US$1
Enrich Enterprise Ltd. (ii)	Property investment	US$1
Greatime Limited	Securities investment	US$1
Master Style Global Limited	Securities investment	US$1
Onrich Enterprises Limited	Securities investment	US$1
Quantum Express Holdings Limited	Securities investment	US$1
Incorporated in Canada		
ASNA Alberni Holdings Limited	Investment holding	CAD$10,888,417
1488 Robson Street Holdings Ltd. (ii)	Investment holding	CAD$100
ASNA Robson Landmark Holdings Limited (ii)	Property development	CAD$54,197,977
ASNA Robson Landmark Developments Limited (ii)	Property development	CAD$6,499,129
1388 Robson Nominee Ltd. (ii)	Investment holding	CAD$100
AS 1388 Robson Holdings Limited (ii)	General partner	CAD$100
AS 1388 Robson Limited Partnership (ii)	Property development	CAD$16,740,737
Asia Standard Americas Limited (ii)	Property development management	CAD$100
1650 AS Alberni Holdings Limited (ii)	Property development	CAD$15,702,422

34 Principal Subsidiaries and Joint Ventures (Continued)

(b) Joint ventures

Name	Principal activity	Issued and fully paid/paid-up capital	Group equity interest
Incorporated in Canada			
1488 Alberni Holdings Limited [(ii)]	General partner	CAD$100	40%
1488 Alberni Investment Limited [(ii)]	General partner	CAD$100	40%
1488 Alberni Development Holdings Limited Partnership [(ii)]	Property development	CAD$25,860,000	40%
1488 Alberni Investment Limited Partnership [(ii)]	Property development	CAD$1,361,043	40%
1650 Alberni Residential Ltd. [(ii)]	Property development	CAD$28,264,380	40%
1650 Alberni Commercial Ltd. [(ii)]	Property development	CAD$3,140,664	40%

Notes:

(i) Directly wholly owned by the Company

(ii) Operates in Canada

35 Holding Companies

The Directors regard Asia Orient, incorporated in Bermuda and listed in Hong Kong, as being the ultimate holding company, and The Sai Group Limited, a wholly-owned subsidiary of ASI, a company incorporated in British Virgin Islands, as being the immediate holding company.

36 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 29th June 2022.

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