Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for informational purposes only and is not for distribution, directly or indirectly, in or into the United States. This announcement does not constitute or form a part of an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction, or an inducement to enter into investment activity, or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. No public offering of the securities referred to herein will be made in the United States. None of the Notes (as defined below) will be offered to the public in Hong Kong.

This announcement and the listing documents referred to herein have been published for informational purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: *The Issuer and the Guarantor (as defined below) confirm that the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENT

FEC
遠東發展

FAR EAST CONSORTIUM INTERNATIONAL LIMITED
遠東發展有限公司*
(Incorporated in the Cayman Islands with limited liability)
Website: http://www.fecil.com.hk
(Stock Code: 35)

US$150,000,000 5.10 per cent. Notes due 2024 (to be consolidated and form a single series with the US$235,000,000 5.10 per cent. Notes due 2024 issued on 21 January 2021) (Stock Code: 40556) (the "Notes")

issued by

FEC FINANCE LIMITED (the "Issuer")
unconditionally and irrevocably guaranteed by

FAR EAST CONSORTIUM INTERNATIONAL LIMITED
(the "Guarantor")

under the US$2,000,000,000 Guaranteed Medium Term Note Programme (the "Programme")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 16 October 2020 (the "**Offering Circular**") in relation to the Programme and the pricing supplement dated 13 July 2021 in relation to the Notes (the "**Pricing Supplement**") appended herein. As disclosed in the Offering Circular and the Pricing Supplement, the Notes were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

Neither the Offering Circular nor the Pricing Supplement constitutes a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

* *For identification purposes only*

The Offering Circular and the Pricing Supplement must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer or the Guarantor and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular or the Pricing Supplement.

Hong Kong, 22 July 2021

As at the date of this announcement, the board of directors of FEC Finance Limited comprises two directors, namely Tan Sri Dato' David CHIU and Cheong Thard HOONG.

As at the date of this announcement, the board of directors of Far East Consortium International Limited comprises five executive directors, namely Tan Sri Dato' David CHIU, Cheong Thard HOONG, Dennis CHIU, Craig Grenfell WILLIAMS and Wing Kwan Winnie CHIU; and three independent non-executive directors, namely Kwok Wai CHAN, Kwong Siu LAM and Lai Him Abraham SHEK.

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APPENDIX 1

OFFERING CIRCULAR DATED 16 OCTOBER 2020

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE HAS BEEN, OR WILL BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE SECURITIES NOR THE GUARANTEE MAY BE OFFERED, SOLD OR, IN THE CASE OF SECURITIES IN BEARER FORM, DELIVERED WITHIN THE UNITED STATES OR, IN THE CASE OF AN OFFERING OR SALE IN RELIANCE OF CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer and the Guarantor (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited or UBS AG Hong Kong Branch (the "**Arrangers**"), Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, AMTD Global Markets Limited, BNP Paribas, China Merchants Securities (HK) Co., Limited., DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Oversea-Chinese Banking Corporation Limited, Mizuho Securities Asia Limited or The Bank of East Asia, Limited (the "**Dealers**") nor any person who controls the Arrangers or the Dealers, or any director, officer, employee or agent of the Issuer, the Guarantor, the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular dated 16 October 2020

FEC Finance Limited

(incorporated with limited liability in Hong Kong)

unconditionally and irrevocably guaranteed by

FEC
遠東發展

FAR EAST CONSORTIUM INTERNATIONAL LIMITED
遠東發展有限公司

(incorporated with limited liability in the Cayman Islands)
(HKSE Stock Code: 35)

U.S.$2,000,000,000
Guaranteed Medium Term Note Programme

This Offering Circular supersedes the Offering Circular dated 28 August 2019.

Under the Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), FEC Finance Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee**") by Far East Consortium International Limited (the "**Guarantor**") and denominated in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s) (as defined in "*Summary of the Programme*"). Notes may be issued in bearer or registered form. With effect from 16 October 2020, the size of the Programme has been increased to U.S.$2,000,000,000. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies), subject to increases as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

The obligations of the Guarantor under the Guarantee of the Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as stated above) rank and will at all times rank *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by the provisions of law that are both mandatory and of general application.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular in connection with an investment in the Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") (together, "**Professional Investors**") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy, or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined in "*Summary of the Programme*") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system).

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

Each Series (as defined in "*Summary of the Programme*") of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**"). Interests in temporary Global Notes generally will be exchangeable for interests in permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche (as defined in "*Summary of the Programme*") upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "*Summary of Provisions Relating to the Notes while in Global Form*". Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Global Certificates (as defined below) may be deposited on the issue date with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), operated by the Hong Kong Monetary Authority or deposited with any other clearing system or may be delivered outside any clearing system as agreed between the Issuer and the relevant Dealer(s).

The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes and in Global Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Neither the Notes nor the Guarantee has been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S ("**Regulation S**") of the Securities Act, to, or for the account or the benefit of U.S. persons (as defined in Regulation S) unless an exemption from the registration requirement of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Arrangers

Barclays **Credit Suisse** **HSBC** **UBS**

Dealers

Barclays **Credit Suisse** **HSBC** **UBS**

AMTD **BNP PARIBAS** **China Merchants Securities (HK)** **DBS Bank Ltd.**

Deutsche Bank **Guotai Junan International** **Haitong International** **OCBC Bank**

Mizuho Securities **The Bank of East Asia, Limited**

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**") and the Notes and the Guarantee that is material in the context of the Programme, (ii) the statements contained in it relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Guarantor, the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives. Neither the delivery of this Offering Circular or any Pricing Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor, or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor, or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives (as defined in "**Summary of the Programme**") represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any available exemption, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular, any Pricing Supplement nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this Offering Circular and any Pricing Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Guarantor, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. Neither the Notes and the Guarantee has been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States.

The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "**Subscription and Sale**".

PRIIPS REGULATION – PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA and UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPS Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II product governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and other information which is applicable to each Tranche of Notes will be set out in the relevant Pricing Supplement.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purposes of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see

"**Information Incorporated by Reference and Financial Information**"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives have separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any Arrangers, any Dealer, the Trustee or any Agent or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives or on its behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Notes. Each Arranger, each Dealer, the Trustee, each Agent and any of their respective affiliates, officers, advisers, directors, employees, agents or representatives accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives that any recipient of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary.

None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, officers, advisers, directors, employees, agents or representatives.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action.

Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to "**HK**$" are to Hong Kong dollars, the lawful currency of Hong Kong, to "**AUD**" are to Australian dollars, the lawful currency of Australia, to "**CNY**" or "**RMB**" are to Renminbi, the lawful currency of the PRC, to "**MYR**" are to Malaysian Ringgit, the lawful currency of Malaysia, to "**S$**" are to Singapore dollars, the lawful currency of Singapore, to "**U.S.$**" or "**U.S. dollar(s)**" are to U.S. dollars, to "**sterling**", "**GBP**" or "**£**" are to the lawful currency of the UK and to "**EUR**", "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time.

Unless otherwise stated, references in this Offering Circular to a particular year are to the calendar year ended or ending on 31 December and to a particular "**FY**" are to the fiscal year ended or ending on 31 March.

For the convenience of the reader, this Offering Circular presents translations into U.S. dollars of certain Hong Kong dollar amounts at the rate of HK$7.80 = U.S.$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. This Offering Circular also includes certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Business*" and elsewhere in this Offering Circular constitute forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Group's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements are based on the Issuer and the Guarantor's current expectation about future events relating to the Group. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Issuer and the Guarantor expect the Group to operate in the future.

Forward-looking statements speak only as at the date of this Offering Circular and each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to update publicly or revise any forward-looking statements in this Offering Circular to reflect any change in the Issuer and/or the Guarantor's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, there can be no assurance that projected results or events will be achieved and undue reliance should not be placed on these statements.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Guarantor from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Guarantor for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition and results of operations.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents (as defined under "*Summary of the Programme*") set out at the end of this Offering Circular.

The Guarantor has prepared audited consolidated financial statements for FY2018, FY2019 and FY2020. See "*Index to Financial Statements*". These financial statements of the Guarantor were prepared in conformity with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. See "*General Information*" for a description of the financial statements currently published by the Guarantor.

DEFINITIONS AND GLOSSARY AND TECHNICAL TERMS

The definitions and glossary of technical terms contain explanations and definitions of certain terms used in this Offering Circular in connection with the Issuer and/or Guarantor and/or the Group and their businesses. The terms and their meaning may not correspond to the meanings or usage of these terms used by others.

ARR	average room rate.
BC Group	BC Group Holdings Limited, a company incorporated in the Cayman Islands and which is the holding company of BC Securities following the reorganisation referred to the announcement of the Guarantor dated 21 February 2019.
BC Securities	BC Securities Pty Ltd., BC Finance Services Pty Ltd, BC Investment Group Pty Ltd, BC Investment Group (HK) Limited, BC Securities (HK) Limited and their respective subsidiaries, who principal business is the provision of regulated first mortgage finance to international buyers of residential properties.
Care Park	Care Park Group Pty. Ltd., a company incorporated in Australia with limited liability and an indirect non-wholly owned subsidiary of the Guarantor.
CBD	central business district.
Dorsett	Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited), a company incorporated in the Cayman Islands and a listed subsidiary of the Guarantor until it was privatised (previous stock code: 2266) and became its indirect wholly-owned subsidiary in October 2015.
Dorsett Group	Dorsett and its subsidiaries.
GDV	gross development value.
GFA	gross floor area.
HKFRSs	Hong Kong Financial Reporting Standards.
Hong Kong	Hong Kong Special Administrative Region of the PRC.
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.
PRC	other regions in the People's Republic of China, which, for the purpose of this Offering Circular and unless otherwise stated, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC.
OCC	occupancy rate.

QWB	Queen's Wharf Brisbane.
RevPAR	revenue per available room.
SFO	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).
Share(s)	ordinary share(s) of HK$0.10 each in the share capital of the Guarantor.
sq. ft.	square feet.
sq. m.	square meter.
Stock Exchange	The Stock Exchange of Hong Kong Limited.
TWC	Trans World Corporation.
TWC Hotel Group	Hotels under TWC.
The Star	The Star Entertainment Group Limited.
UK	United Kingdom.
U.S.$ or U.S. dollar(s)	United States dollar, the lawful currency of the United States of America.

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SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	FEC Finance Limited (Legal Entity Identifier code: 549300TTP03NH9IE6530).
Guarantor	Far East Consortium International Limited.
Programme Description	Guaranteed Medium Term Note Programme.
Programme Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement (as defined in "*Subscription and Sale – Summary of Dealer Agreement*").
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes (as defined in "*Terms and Conditions of the Notes*"), as further described in Condition 3(a) of the Terms and Conditions of the Notes.
Arrangers	Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch.
Dealers	Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, AMTD Global Markets Limited, China Merchants Securities (HK) Co., Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Oversea-Chinese Banking Corporation Limited. The Bank of East Asia, Limited, Mizuho Securities Asia Limited and BNP Paribas. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Agents	The Issuing and Paying Agent, the Registrar, the Transfer Agent and the CMU Lodging and Paying Agent.
Issuing and Paying Agent, Registrar, Transfer Agent and CMU Lodging and Paying Agent	The Hongkong and Shanghai Banking Corporation Limited.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "– *Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	Clearstream, Luxembourg, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Status of Notes	The Notes will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (Negative Pledge), unsecured obligations of the Issuer and will rank (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, present and future.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4 (Negative Pledge) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency (as defined in "*Risk Factors – Risks relating to the Market Generally – Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected*") governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal or of interest in respect of Index Linked Notes will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Benchmark Discontinuation	The Benchmark Discontinuation provisions set out in the "*Terms and Conditions of the Notes*" will apply if a Benchmark Event occurs.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and if so the terms applicable to such redemption.
Tax Redemption	Except as described in "– *Optional Redemption*" above, early redemption at the option of the Issuer will only be permitted for tax reasons as described in Condition 6(c) (Redemption, Purchase and Options – Redemption for Taxation Reasons).
Redemption for Change of Control	The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Change of Control as further described in Condition 6(f) (Redemption, Purchase and Options – Redemption for Change of Control).
Negative Pledge	The Notes will have the benefit of a negative pledge as described in "*Terms and Conditions of the Notes – Negative Pledge*".
Cross Default	The Notes will have the benefit of a cross default provision as described in "*Terms and Conditions of the Notes – Events of Default*".
Withholding Tax	All payments of principal and interest in respect of the Notes or under the Guarantee will be made free and clear of withholding taxes of the Cayman Islands or Hong Kong, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes – Taxation*".

Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	The United States, the Public Offer Selling Restriction under the Prospectus Regulation, the UK, Hong Kong, Singapore, Japan, the Netherlands, the Cayman Islands and the PRC. See "*Subscription and Sale*". Category 1 or Category 2 selling restrictions may apply as specified in the relevant Pricing Supplement for the purposes of Regulation S under the Securities Act. The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for Section 4701 of the Code) (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Bearer Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes and the Guarantee are discussed under "*Risk Factors*" below.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary audited consolidated financial information of the Guarantor for the periods indicated.

The summary audited consolidated financial information as at and for FY2018, FY2019 and FY2020 set forth below are derived from the Guarantor's published audited consolidated financial statements as at and for the years ended 31 March 2019 and 2020, respectively (which have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and are included elsewhere in this Offering Circular).

The Group applied HKFRS 16 *Leases* for the first time in FY2020. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and the related interpretations.

The summary financial information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial information of the Guarantor, including the notes thereto, included elsewhere in this Offering Circular.

The consolidated financial statements of the Guarantor were prepared and presented in accordance with HKFRSs.

SELECTED FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2020	2019	2018
		(HK$'000)	
Revenue	7,450,604	6,842,319	5,831,127
Cost of sales and services	(4,742,094)	(3,835,645)	(2,854,767)
Depreciation and amortisation of hotel and car park assets	(449,158)	(397,075)	(342,125)
Gross profit	2,259,352	2,609,599	2,634,235
Other income	143,111	65,880	32,321
Other gains and losses	(15,517)	978,918	504,558
Administrative expenses			
– Hotel operations and management	(441,905)	(463,766)	(387,941)
– Others	(409,314)	(363,396)	(272,669)
Pre-operating expenses			
– Hotel operations and management	(27,601)	(1,541)	(7,096)
Selling and marketing expenses	(193,773)	(165,509)	(128,139)
Share of results of associates	(11,485)	17,803	9,819
Share of results of joint ventures	2,878	2,122	–
Finance costs	(468,425)	(367,624)	(228,955)

	2020	2019	2018
		(HK$'000)	
Profit before tax	837,321	2,312,486	2,156,133
Income tax expense	(286,340)	(543,761)	(570,735)
Profit for the year	550,981	1,768,725	1,585,398
Attributable to:			
Shareholders of the Company	365,853	1,713,659	1,566,722
Owners of perpetual capital notes	98,564	–	–
Other non-controlling interests	86,564	55,066	18,676
	550,981	1,768,725	1,585,398
Earnings per share			
Basic (HK cents)	15.5	74.0	69.0
Diluted (HK cents)	15.5	74.0	69.0
Profit for the year	550,981	1,768,725	1,585,398
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties transferred from property, plant and equipment to investment properties	–	–	29,831
Fair value change on equity instruments at fair value through other comprehensive income ("**FVTOCI**")	(402,838)	(298,100)	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations	(1,559,653)	(775,077)	652,241
Fair value change on debt instruments FVTOCI	(255,663)	–	–
Reclassification adjustment on disposal of debt instruments at FVTOCI during the year	(28,359)	–	–
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	–	23,154	115,637
Other comprehensive (expense) income for the year	(2,246,513)	(1,050,023)	797,709
Total comprehensive (expense) income for the year	(1,695,532)	718,702	2,383,107
Total comprehensive (expense) income attributable to:			
Shareholders of the Company	(1,840,709)	675,718	2,361,950
Owners of perpetual capital notes	73,696	–	–
Other non-controlling interests	71,481	42,984	21,157
	(1,695,532)	718,702	2,383,107

Consolidated Statement of Financial Position

	2020	2019	2018
		(HK$'000)	
Non-current Assets			
Investment properties	7,243,208	5,426,396	3,229,437
Property, plant and equipment	11,160,856	9,690,089	8,175,004
Prepaid lease payments	–	483,454	518,752
Goodwill	68,400	68,400	68,400
Interests in associates	1,237,775	1,061,726	943,884
Interests in joint ventures	791,846	661,069	410,417
Investment securities	492,852	1,081,626	13,564
Derivative financial instruments	37,222	2,366	–
Deposits for acquisition of property, plant and equipment	88,045	94,426	100,576
Amounts due from associates	62,864	66,831	66,831
Amounts due from joint ventures	58,572	64,808	27,248
Amount due from an investee company	119,995	119,995	119,995
Loan receivables	259,651	233,253	80,489
Pledged deposits	20,409	15,280	4,419
Deferred tax assets	93,653	49,640	48,410
	21,735,348	19,119,359	13,807,426
Current Assets			
Properties for sale			
Completed properties	1,966,189	2,754,840	1,148,197
Properties under development	9,983,444	9,695,682	10,094,565
Other inventories	11,146	11,222	8,547
Prepaid lease payments	–	13,782	14,569
Debtors, deposits and prepayments	379,091	467,846	522,674
Customers' deposits under escrow	147,527	196,665	512,548
Loan receivables	9,269	20,244	11,827
Contract assets	1,103,698	215,565	–
Contract costs	283,787	360,748	–
Amounts due from joint ventures	349,392	114,494	39,085
Amounts due from associates	24,717	24,452	27,750
Tax recoverable	160,697	68,940	185,745
Investment securities	2,534,548	3,340,828	3,506,479
Derivative financial instruments	–	4,646	518
Pledged deposits	51,600	20,660	17,604
Restricted bank deposits	120,932	175,725	1,547,853
Deposit in a financial institution	6,880	1,561	11,633
Bank balances and cash	2,911,726	2,470,604	3,031,929
	20,044,643	19,958,504	20,681,523

	2020	2019	2018
		(HK$'000)	
Current Liabilities			
Creditors and accruals	1,264,635	1,531,578	1,725,479
Customers' deposits received	–	–	1,936,950
Contract liabilities	310,598	974,166	–
Obligations under finance leases	–	6,697	5,629
Lease liabilities	77,253	–	–
Amounts due to related companies	751	623	19,095
Amounts due to associates	6,897	28,057	27,149
Amounts due to a joint venture	–	–	3,177
Amounts due to shareholders of non-wholly owned subsidiaries	395,126	7,786	8,232
Derivative financial instruments	3,397	–	2,211
Notes and bonds	–	–	907,995
Tax payable	368,283	313,698	361,136
Bank and other borrowings	6,505,953	4,235,896	5,285,719
	8,932,893	7,098,501	10,282,772
Net Current Assets	11,111,750	12,860,003	10,398,751
Total Assets less Current Liabilities	32,847,098	31,979,362	24,206,177
Non-current Liabilities			
Obligations under finance leases	–	12,476	11,518
Lease liabilities	547,086	–	–
Amount due to a shareholder of non-wholly owned subsidiary	–	392,024	269,491
Derivative financial instruments	–	–	37,439
Notes and bonds	3,548,124	3,509,499	3,498,958
Bank and other borrowings	13,405,809	13,602,647	6,661,703
Deferred tax liabilities	903,317	795,228	583,186
Other liabilities	129,028	35,226	–
	18,533,364	18,347,100	11,062,295
Net Assets	14,313,734	13,632,262	13,143,882
Capital and Reserves			
Share capital	236,942	235,169	230,179
Share premium	4,534,687	4,479,650	4,297,682
Reserves	6,346,903	8,698,257	8,442,951
Equity attributable to shareholders of the Company	11,118,532	13,413,076	12,970,812
Owners of perpetual capital notes	2,904,535	–	–
Other non-controlling interests	290,667	219,186	173,070
Total Equity	14,313,734	13,632,262	13,143,882

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Group or which the Group currently deem to be immaterial, may affect the Group's business, financial condition or results of operations or its ability to fulfil its respective obligations under the Notes and the Guarantee.

The global outbreak of the novel coronavirus ("COVID-19") may have an adverse effect on the Group's business operations, financial condition and results of operations

The Group's business has been, and will continue to be, adversely affected by the global outbreak of COVID-19. The outbreak of COVID-19 started in late 2019 and was declared a pandemic by the World Health Organisation on 11 March 2020. There has been rapid and widespread increase in new infections across the globe, including the locations in which the Group operates, such as the PRC, Hong Kong, European Union, Australia, the UK and other parts of the world.

Many countries have declared a state of emergency, closed their borders to international travellers and restricted movements of their citizens with a view to containing the pandemic. The Group's profitability depends, in part, on tourism, business traffic and the general outlook of the global economy. Government-led measures designed to slow the spread of the virus, therefore, directly and indirectly affect the Group's operations. Both the duration of the border control, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the Group's business are uncertain. Even when the restrictions are lifted, there may be a period of significantly reduced economic activities, potential increased unemployment and reduced consumer spending. In addition, restrictions can be re-introduced if the situation worsens again.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. While these measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets, there is no assurance that such measures may be introduced in time or will be sufficient or effective in achieving their policy objectives; nor can there be any assurance that these measures will be successful in reducing the economic impact of the pandemic or stabilising the markets. Any potential economic slowdowns may also negatively affect the purchasing powers of the Group's customers, which may lead to a decline in the general demand for its products and services.

The COVID-19 pandemic has temporarily suspended some of the Group's construction and sales activities, has reduced the price and demand for hotel rooms, and its car park operations, gaming operations and the mortgage lending business of BC Group have faced pressure from the general decline in market sentiment, as well as COVID-19-related restrictions. In particular, the Group's hotel operations have been severely affected by COVID-19- related travel restrictions in Hong Kong, the PRC, the UK, the European Union, Australia and Singapore. Movement restrictions in key markets such as Victoria, Australia and Malaysia have resulted in the reduction of vehicle use and, consequently, the demand for car parks. Furthermore, on 14 March 2020, the Czech government declared public access to casinos forbidden; on 23 March 2020, the Australian federal government ordered the closure of casinos in the country for a period of six months. Although the Group's gaming operations in Australia have since been restored in terms of tables, slot machines and electronic gaming stations activated, certain COVID-19 specific protective measures, such as traveller quarantines, limits on the number of seats per game table, slot machine spacing, temperature checks, mask protection, requirement for negative COVID-19 test results for the patrons entering gaming area and health declarations, remain in effect at the present time. Due to the recent deterioration of the COVID-19 situation in Europe, the Czech government has announced a temporary closure of services and outlets, including casinos, until 25 October 2020. As a result, the casinos owned by the Group in the Czech Republic are again temporarily closed after resuming operations for a short period since early June 2020. The Group cannot predict whether future closures may be mandated.

Given the uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. Should the disruption to its operations extend for a long period, the Group may experience delays in completion and delivery of its ongoing projects and may suffer from reduced demand for its services, which may materially and adversely affect the Group's business, financial condition and results of operations and may also cause reputational damage.

Risks Relating to Property Development and Investment Business

The Group is subject to risks incidental to the operation of established properties and property ownership

The Group is subject to risks incidental to the operation of residential, commercial (including entertainment) and related retail properties and property ownership. The Group makes certain undertakings in its pre-sale contracts, and its pre-sale contracts and the laws and regulations provide for remedies for breach of these undertakings. For example, if the Group fails to complete delivery of a pre-sold property on time, it may be liable to the relevant customers for late delivery under the relevant pre-sale contracts or pursuant to relevant laws and regulations. If its delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for compensation. A customer may also terminate his or her contract with the Group and/or bring claims for compensation for certain other contractual disputes, including, for example, if the GFA of the relevant unit, as set out in the individual building ownership certificate, deviates materially from the GFA of that unit as set out in the contract; if the floor plan of the relevant unit is different from what is set out in the contract and substantially adversely affects the quality and functionality of the unit; if the interior decoration of the relevant unit is inferior to what is set out in the contract; or if the customer fails to receive the individual property ownership certificate within a statutory period due to its fault. Any of such factors could have a material adverse effect on its business, financial condition and results of operations. Though the Group is typically entitled to claim damages from the third party contractors if such breaches are due to their fault, it cannot assure you that the damages it recoups will fully compensate its losses.

The Group's operation of established properties is also subject to various factors which could negatively affect the demand for its investment properties, such as (i) volatility in market rental rates, (ii) occupancy level, (iii) competition for tenants, (iv) costs resulting from on-going maintenance and repair, (v) reduced turnover or lower occupancy rates as a result of undergoing repairs and refurbishments, (vi) ability to renew leases or re-let space as existing leases expire, (vii) ability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, (viii) ability to dispose of major investment properties for the values at which they are recorded in the financial statements, (ix) increased operating costs and (x) the need to renovate, repair and re-let space periodically and to pay the associated costs. In the event of economic decline, the Group may experience market pressures from tenants or prospective tenants to provide rent reductions or longer rent-free periods than usually given on investment properties, or may be pressured by prospective purchasers to reduce property price, which could have an adverse effect on its business, financial condition and results of operations.

The property development and investment markets in regions where the Group operates are susceptible to changes in laws and regulations

The property development and investment markets are subject to extensive real estate laws and regulations. For example, in Australia, overseas residential real estate investors purchasing Australian property have been subject to a new surcharge since 2016 and certain major Australian banks have established stricter lending criteria for home loans to overseas investors. In Hong Kong, the government introduced various measures to cool the property market, such as the imposition of buyer stamp duty in 2012 and additional measures in 2015, 2016 and 2017. The Residential Properties (First-hand Sales) Ordinance (Cap. 621) also came into full operation in April 2013, which aims to enhance the transparency and fairness of the sales arrangements and transactions of first-hand residential properties. The Singapore government also introduces measures to cool the property market from time to time. An example is the imposition of higher stamp duty rates for foreigners and buyers of second residential properties which came into effect in July 2018.

In the PRC, the national and local governments exert considerable direct and indirect influence on the development of the property sector by imposing policies and other economic measures, such as controls over the supply of land available for development, controls (through bank reserve requirements) over the supply of credit over project financing, raising the benchmark interest rates for commercial banks, capping the total amount of bank loans available for property developers, capping the number of properties which an individual may buy and capping the proportion of the purchasing price which individuals can pay by bank mortgages. Furthermore, the PRC government may impose additional taxes and levies on property sales and further restrict foreign investment in the property sector.

These policies may adversely impact the level of pre-sales which the Group may be able to achieve and the level of settlements for pre-sold units in the areas which the Group operates. There can be no assurance that the Group will successfully achieve the necessary amount of pre-sales in order to obtain sufficient financing for its projects.

The UK exited the European Union on 31 January 2020 and is now in an 11-month transition period. During this transition period, uncertainty may slow down the rate of growth in property prices and transaction volumes and limit the likelihood of property development and investment in the UK, which could have an adverse effect on the financial condition and results of operations of the Group. There can be no assurance that the local and national governments will not introduce any further measures which may affect sales or property values in the areas where the Group operates and that property values will not decline in the future. Trade tensions among major economies, which intensified in 2019 and have continued in 2020, may negatively affect the real estate market. Subject to any further control or measure that the PRC government may impose, the Group's funding conditions may become tight due to the increase in financing costs and weakened investor sentiment.

The Group's expansion into new geographical markets presents certain risks and uncertainties

In order to achieve sustainable growth, the Group seeks new development opportunities in regions with the potential for growth and where it has no existing operations. The Group may not be able to identify geographic locations with sufficient growth potential to expand its market reach or operate its new projects. As the Group may face challenges not previously encountered, it may fail to recognise or properly assess risks or take full advantage of opportunities.

Furthermore, its experience in existing markets and its current business model may not be readily transferable to, and replicated in, new markets in its target cities. The property markets in its target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for its properties, types of properties to be developed and development cycles. The Group may have limited ability to leverage its established brands and reputation in new markets in the way it has done in its existing markets. Furthermore, the administrative, regulatory and tax environments in its target cities may be different from each other and the Group may face additional difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, the Group may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put it in a disadvantageous position.

As the Group continues to expand, it will have to continue to improve its managerial, development and operational expertise and allocation of resources. To effectively manage its expanded operations, the Group will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy its property development requirements, including staff with local market knowledge. In order to fund its ongoing operations and its future growth, the Group needs to have sufficient internal capital sources or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, the Group will need to further strengthen its internal controls and compliance functions to ensure that the Group is able to comply with its legal and contractual obligations and to reduce its operational and compliance risks. The Group cannot assure you that it will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. The Group may also experience difficulties in expanding its existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

The Group relies on the expertise of its joint venture partners to successfully complete joint venture projects

The Group has entered into joint ventures and established associated companies with third parties and may continue to do so in the future. The performance of such joint ventures and associated companies has affected, and will continue to affect, its results of operations and financial position. The Group's aggregate share of loss of joint ventures and associates for FY2020 was approximately HK$8.6 million whilst its aggregate share of profit of joint ventures and associates for FY2019 was approximately HK$19.9 million. The success of a joint venture or an associated company depends on a number of factors, some of which are beyond its control. As a result, it may not be able to realise the anticipated economic and other benefits from its joint ventures and associated companies.

The Group generally participates in joint venture projects to utilise the expertise of its local partners. For instance, in November 2015, the Group entered into a project called the "Destination Brisbane Consortium" with The Star and Chow Tai Fook Enterprises Limited ("**CTF**") for the development of the entertainment precinct and integrated resort development site with a residential development component in Queen's Wharf, Brisbane. The Group also signed a Memorandum of Understanding ("**MOU**") in March 2016 with The Star and CTF for the development of a 200-metre hotel/apartment tower at The Star in Sydney featuring a Ritz-Carlton and an extension with connectivity to the existing property that would include food and beverage outlets. The same parties also entered into a joint venture agreement to co-develop a mixed-use development featuring five towers in the heart of Gold Coast's world-class integrated resort on Broadbeach Island. In March 2018, the strategic alliance agreement was entered into by the same parties to join forces on the delivery of certain nominated developments in Australia.

Regarding joint venture and partnership projects, the Group generally seeks to maintain a sufficient level of control or influence over these projects through the ownership of interest and/or taking up management role. However, property investment and development may often involve the participation of local partners, which may be out of its control. Also, participating in joint ventures may involve certain risks, such as dissimilar business interests with partners and failure to secure local government approvals. An example is the aforementioned Destination Brisbane Consortium development, where the relevant casino agreement contains provisions to the effect that after the new casino licence is granted for the integrated resort component, any shareholder of any of the joint venture partners holding a voting interest of 20 per cent. or more will be required to satisfy the probity requirements of the State of Queensland. If the State of Queensland considers, having regard to the matters set out in section 20 of the Casino Control Act 1982 (Qld), that such shareholder is not suitable, the State of Queensland can request that the relevant joint venture partner procures the disposal of the interest of such shareholder as soon as practicable and, in any event within three months or such longer time as is determined by the State of Queensland. If the relevant shareholder does not dispose of its interest within this period, the State of Queensland can request that the relevant joint venture partner dispose of its interest in the integrated resort component of the Destination Brisbane Consortium.

Since the Group does not have full control over the business and operations of its joint ventures and associated companies, it cannot assure that they have been, or will be in strict compliance with all applicable laws and regulations. The Group cannot assure you that it will not encounter problems with respect to its joint ventures and associated companies or its joint ventures and associated companies will not violate laws and regulations, which may have an adverse effect on its business, results of operation and financial condition. In the event any of the Group's joint venture partners is unable or unwilling to fulfil its obligations under the relevant joint venture agreements, or any such joint venture partner is forced to dispose of its interest in the joint venture, this could have a material adverse effect on the business and prospects of the Group.

There is no assurance that suitable sites at commercially acceptable prices may be available for the Group's future development

The Group normally only acquires land to fulfil its specific project requirements. In the countries where the Group operates, the supply of land is largely controlled by local governments depending on each country's economic conditions and priorities. Local governments may implement various measures to regulate the means by which property developers obtain land for property development. The ability of the Group to acquire land for future development and its land acquisition costs will accordingly be affected by government policies in relation to land supply. The Group's future growth prospects may therefore be affected to the extent that it is unable to acquire land for future development in the countries where the Group operates at commercially acceptable prices to generate reasonable returns.

The Group is required to undertake property revaluation annually

In accordance with HKFRSs, an external professional valuer assesses the Group's investment properties annually at their open market value which is reflected in the Group's consolidated statement of financial position. Any gains or losses arising from the change in the fair value are included in the profit or loss for the period in which they arise. A major or extended decline in property values could therefore increase the Group's leverage, which may limit its ability to obtain additional financing in the future.

The Group relies on independent contractors and sub-contractors for the provision of certain services

The Group engages independent third-party contractors and sub-contractors to provide various services, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators. There is no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's major contractors and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations and thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and results of operations of the Group.

As the Group derives a significant proportion of revenues from the property development business, its results of operations may vary significantly from period to period

The Group derives a significant proportion of revenues from the property development business. For FY2018, FY2019 and FY2020, revenue from the Group's property development business amounted to approximately 58.8 per cent., 55.7 per cent. and 64.9 per cent. of the Group's total revenue, respectively. The Group's results of operations may fluctuate in the future due to a combination of factors, including the overall schedule of its property development projects, the popularity of its properties among prospective purchasers, the timing of the sale of properties and any volatility in expenses such as land costs and construction costs.

Furthermore, except for the Group's development projects in Singapore in respect of which the revenue is recognised over time during the construction period, the Group recognises revenue from sale of its properties upon delivery, which normally takes place within one to three years after the commencement of pre-sale. As the timing of delivery of the Group's properties varies according to their construction schedules, the Group's results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties (except for projects in Singapore). Periods in which the Group delivers more properties in terms of GFA typically generate higher levels of revenue. Periods in which the Group pre-sells a large aggregate GFA, however, may not generate a correspondingly level of revenue if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on its operational results is accentuated by the fact that during any particular period the Group can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs as well as a limited supply of land.

The Group faces competition in its property development and investment business

The Group holds interests in property development projects and has investments in retail and commercial buildings in Hong Kong, the PRC, Malaysia, Singapore, Australia and the UK.

In relation to its property development business, the Group entered the PRC property development market at an early stage and was able to acquire some sites in the PRC at a relatively low cost. In recent years, a large number of property developers have begun to undertake property development and investment projects in Shanghai and elsewhere in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers) and local developers in the PRC, many of whom have greater financial and other capital resources, greater market share and greater name recognition than the Group.

The Group also competes with many established property developers in each of Australia, Singapore, Malaysia, Hong Kong and the UK. Many of these competitors have larger local operations, better name recognition, better access to land bank acquisition opportunities, greater market share domestically and greater financial resources compared to the Group.

Intensified competition among property developers may result in increased costs for construction and land acquisition, an oversupply of properties for sale, a decrease in property prices and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect the business of the Group.

The Group's investment property portfolio comprises mainly commercial buildings and retail units in Hong Kong, the PRC, Australia and Singapore. While the value of the Group's investment properties in the regions has generally remained stable, the continuous supply of new retail and commercial properties located near the Group's investment properties could adversely affect residential and commercial rental and occupancy rates. There is no assurance that the Group will be able to secure commercially desirable rental returns or market values for its investment properties as a result of increased competition as well as continuous supply in the rental market and failure to do so could result in higher rate of property vacancy which may materially and adversely affect the financial conditions and prospects of the Group.

The Group's property business is subject to seasonality

The Group's property business is subject to seasonality. Volatility impacts on the timing for the acquisition of sites, the launch of pre-sales of pipeline projects and the sale of completed development properties. Volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, may subject the Group to significant fluctuations in its property development activities. The Group's results of operations may fluctuate from quarter to quarter. The number of properties that the Group could develop or complete during any particular period is subject to a number of factors including but not limited to construction schedule, permit approvals and lengthy development periods before revenue and profit from developments are realised and recognised (in particular for projects that are developed in multiple phases over the course of several years). Therefore, the cyclicality of property markets affects the timing for both the Group's acquisition of sites and sale of completed properties.

During the Chinese New Year holidays, construction of the Group's development projects in Asia may also be hindered. Prolonged adverse weather conditions may generally delay construction of the Group's development projects. The Group's revenue and profits, recognised upon the delivery of properties (except for the Group's development projects in Singapore in which the revenue is recognised over time during the construction period), may therefore be adversely affected by such seasonal effects.

If the Group cannot continue to obtain qualification certificates for its subsidiaries to engage in real estate development in the PRC, its property development business in the PRC may be adversely affected

As a precondition to engaging in real estate property development in the PRC, a property developer must obtain a qualification certificate and have it renewed on an annual basis (unless the relevant rules and regulations permit otherwise). According to the current PRC regulations on qualification of property developers, a newly established property developer must first apply for a provisional qualification certificate, which is valid for one year and which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the initial one-year period, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to the annual verification by relevant governmental authorities. Developers must fulfil all statutory requirements before obtaining or renewing their qualification certificates.

Property developers in the PRC must also produce valid qualification certificates when they apply for pre-sale permits. There is no assurance that all of the relevant Group members which are engaged in real estate development in the PRC will be able to pass the annual verification of the qualification certificates or will be able to obtain formal qualification certificate in a timely manner, or at all, as and when they become due. If the Group or its project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the Group's property development business. In addition, the PRC government may impose a penalty on the Group and its project companies for failure to comply with the relevant licensing requirements.

The Group's business will be adversely affected if it fails to obtain, or experiences material delay in obtaining, the necessary governmental approvals for any major property development

In general, there are regulations that strictly regulate the real estate market in the countries that the Group operates. Property developers must comply with various local laws and regulations, including rules promulgated by local governments to enforce such laws and regulations. To develop and complete a property project, the Group must apply for various licences, permits, certificates and approvals at the relevant governmental authorities. Before such authorities issue any certificate or permit, the Group must first meet the prerequisites set forth by the relevant authorities. There is no assurance that the Group will not encounter serious delay or other difficulties in fulfilling such conditions, or that the Group will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delay on the part of the relevant regulatory bodies in reviewing the Group's applications and granting approvals. Therefore, in the event that the Group fails to obtain, or encounters significant delays in obtaining, the necessary governmental approvals for any of its major property projects, the Group may not be able to continue with or carry out its development plans on schedule and its business and financial condition may be adversely affected.

Failure to meet all requirements for the issue of property ownership certificates may lead to compensatory liability to the Group's purchasers

According to PRC laws, property developers must meet various requirements within 90 days after delivery of the relevant property or such other time period as provided in the relevant sales contract for the Group's purchasers to apply for property ownership certificates. Such requirements include passing various governmental clearances, formalities and procedures. The Group usually stipulates the delivery dates in its sales contracts so as to leave sufficient time for it to complete the formalities and obtain the relevant approvals. However, there is no assurance that there will not be delay in its property development as a result of factors beyond its control which may delay the delivery of property ownership certificates, such as shortage in human resources at various governmental offices or inspections and approval processes taking longer than expected. Under current PRC laws and regulations and under the Group's sales contracts, the Group is required to compensate the Group's purchasers for delay in delivery of the relevant property. Such delay in delivery may adversely affect the Group's financial performance as well as its market reputation.

The Group may not be able to obtain land use right certificates with respect to certain parcels of land in the PRC

The Group had entered into land grant contracts or transfer agreements or had made other contractual arrangements in order to obtain the land use rights in respect of some of its projects in the PRC.

However, the land use right certificates have not been obtained. If the Group fails to obtain, or experiences material delay in obtaining, the land use right certificates with respect to these parcels of land, its reputation and business in the PRC may be adversely affected.

The illiquidity of investment properties and the lack of alternative uses of investment properties may significantly limit its ability to respond to adverse changes in the performance of its investment properties

Since property investments in general are relatively illiquid, its ability to promptly sell one or more of its investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond its control. The Group cannot predict whether it will be able to sell any of its investment properties for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Group also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. Moreover, the Group may also need to incur capital expenditure to manage and maintain its properties or to correct defects or make improvements to these properties before selling them. The Group cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, the aging of investment properties, changes in economic and financial conditions or changes in the competitive landscape in certain property markets, such as the PRC, may adversely affect the amount of rentals and revenue the Group generates from, as well as the fair value of, its investment properties and hotels. However, investment properties may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. The Group cannot assure you that it will possess the necessary approvals and sufficient funds to carry out the required conversion. These factors and any others that would impede its ability to respond to adverse changes in the performance of its hotel and investment properties could affect its ability to compete against its competitors and its results of operations.

Risks Relating to Hotel Operations and Management Business

Outbreaks of highly contagious diseases, natural disasters or severe weather conditions could affect the Group's business operations

Since December 2019, the outbreak of COVID-19 has resulted in a widespread and global health crisis, which has led to restrictions on travel and public transport and prolonged closures of workplaces and has severely impacted the global economy. The entry restrictions, travel bans and quarantine measures implemented across the globe since the outbreak of COVID-19 have had a significant impact on the travel industry and in turn have adversely affected the Group's hospitality business in the form of a fall mainly in room occupancy rates and average room rates. COVID-19 has had and may continue to have a material and adverse impact on the Group's hotel operations and financial condition.

In addition to the recent outbreak of COVID-19, there were other outbreaks of contagious diseases in the past, such as Severe Acute Respiratory Syndrome in 2003, H5N1 virus or "Avian Influenza A" in 2005 and H1N1 virus or "Swine Influenza A" in 2009, and these diseases have had a significant adverse impact on the economies of the affected countries and regions. Any further significant outbreak of a highly contagious disease such as COVID-19 may adversely affect the financial condition and results of operations of the Group.

There can be no assurance there will not be another significant outbreak of a highly contagious disease in Hong Kong, the PRC, Singapore, the UK, Malaysia, Australia and/or elsewhere in the future which will give rise to similar negative impacts above. If such an outbreak were to occur, it may cause a decline in corporate, convention and leisure guests of the Group's hospitality business and lead to reduced occupancy rates and room rates, which may have a material adverse impact on the business, financial condition or results of operations of the Group.

If any of the Group's properties is damaged by severe weather conditions or any other natural disasters affecting the regions where such property is situated, the Group's business may also be materially and adversely affected.

The Group is subject to risks associated with the development and construction of hotels

The Group owns and is currently developing several hotels in Hong Kong, the PRC, Singapore, the UK, Malaysia and Australia, which are in various stages of planning, development and operation. Whilst estimated completion schedules and cost budgets are or will be in place for each project, there can be no assurance that construction deadlines will be met or that actual costs of design and construction will not exceed their estimates. As with any construction project, the Group may also face substantial cost increases, cost overruns or delays caused by a number of factors, including shortages of, or price increases in, energy, raw materials or skilled labour, unforeseen environmental problems, contractor default or insolvency as well as difficulties in obtaining or inability to obtain any requisite licences, approvals or permits from regulatory authorities. Any such cost increases, cost overruns or delays could prevent or delay the development, completion or opening of the Group's current and future hotel projects, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group faces competition in its hotel operations and management business

The hospitality sectors in Hong Kong, the PRC, Singapore, Malaysia, Australia, the UK and continental Europe are highly competitive. The Group's hotels generally compete with other three-star and four-star hotels in the cities where the Group's hotels are located. For example, in Hong Kong, competition is expected to remain intense in the coming years as more hotels come onto the market. Following the implementation of the Individual Visit Scheme by the PRC government in July 2003 which deregulated the grant of visas for individual mainland residents to visit Hong Kong, more competitors, including other established hotel operators, have started to enter the market and a number of property developers, including competitors which have significantly greater financial and other resources or are more reputable than the Group, have started to construct new three- and four-star hotels.

There can be no assurance that new or existing competitors will not offer significantly lower room rates or offer greater convenience, services or amenities or significantly expand or improve facilities in a market in which the Group operates.

A decrease in visitor arrivals including as a result of COVID-19 and recent political events in Hong Kong may affect the Group's business operations

The decrease in tourists resulting from COVID-19 and the related travel restrictions imposed by the Hong Kong government and governments worldwide have had a negative impact on the hotel operations of the Group in Hong Kong. For example, in FY2020, the occupancy rate of the Group's owned hotels in Hong Kong amounted to 70.8 per cent, representing a decrease of 24.5 per cent. compared to FY2019. The average room rate of the Group's owned hotels in Hong Kong amounted to HK$578 for FY2020, representing a decrease of HK$224 compared to FY2019. Other negative economic and geopolitical factors and other unfavourable conditions, such as weak Renminbi, reduced cross-border trade with the PRC, trade or other tensions relating to Hong Kong or otherwise, and disruptions to tourists caused by local protests, may also adversely affect the tourism industry in Hong Kong. If any of these unfavourable conditions persists for a prolonged period of time, this could lead to a significant decrease in tourist arrivals to Hong Kong and local tourist spending.

As tourists from the PRC account for a substantial proportion of all visitors to Hong Kong, any adverse change in the policy of the PRC government, for example, by implementing travel restrictions or tightening up its control over the grant of visas for visiting Hong Kong or expanding the scope of the Individual Visit Scheme to cover other countries and regions, may reduce the number of PRC tourists to Hong Kong and the demand for the Group's hotel services in Hong Kong. Prior to the outbreak of COVID-19, Hong Kong's tourism industry was already going through a period of uncertainty and disquiet as political protests continued in 2019, which affected the Group's hotel occupancy rates in Hong Kong. If visitor arrivals from the PRC and elsewhere decrease, this may result in a decrease in occupancy rate and/or average room rate of the Group's owned and/or managed hotels in Hong Kong which may in turn result in an adverse effect in the Group's existing business and business prospects in Hong Kong.

Risks Relating to Car Park Operations and Facilities Management Business

The Group faces competition in its car park operations and facilities management business

Although there has been growth in the Group's car park operations and facilities management business historically, there is no assurance that such growth will be sustained or maintained at the same rate, if at all. In the event new facilities are built in the vicinity of car parks owned or managed by the Group, these may compete with the Group's car parks for tenants, which may affect the Group's ability to maintain existing car park charges in respect of its car parks. In order to maintain utilisation rates, car park charges may need to be lowered, additional capital improvements may need to be made or additional inducements may need to be offered, all of which may have a negative impact on the Group's profitability from this business. In addition, there is no assurance that the Group will be able to renew its existing management contracts on commercially favourable terms or that it will be able to find suitable acquisitions or third-party facilities management targets in the future to expand its car park operations and facilities management business.

Risks Relating to Gaming Operations and Management Business

The Group's gaming businesses are subject to extensive regulation and the cost of compliance or failure to comply with such regulations may adversely affect its business and results of operations

The Group's investment and operation of gaming facilities is subject to extensive regulation by the countries, states and provinces in which the Group operates. These laws, regulations and ordinances vary from jurisdiction to jurisdiction, but generally concern the responsibility, financial stability and character of the owners and managers of gaming operations as well as persons financially interested or involved in gaming operations. As such, the Group's gaming regulators can require it to disassociate itself from suppliers or business partners found unsuitable by the regulators or, alternatively, cease operations in that jurisdiction. In addition, unsuitable activity on its part or on the part of its domestic or foreign unconsolidated affiliates or subsidiaries in any jurisdiction could have a negative effect on its ability to continue operating in other jurisdictions. The regulatory environment in any particular jurisdiction may change in the future and any such change could have a material adverse effect on its results of operations.

The Group also deals with significant amounts of cash in its gaming operations and are subject to recordkeeping and reporting obligations as required by various anti-money laundering laws and regulations. Any violations of the anti-money laundering laws or regulations by any of its gaming properties could have an adverse effect on its financial condition, results of operations or cash flows.

The Group's gaming operations and management business is affected by economic and market conditions in the jurisdictions in which it operates and in the locations in which its customers reside

The Group's gaming operations and management business is particularly sensitive to reductions in discretionary consumer spending and corporate spending on conventions, trade shows and business development. Economic contraction, economic uncertainty or the perception by its customers of weak or weakening economic conditions may cause a decline in demand for hotels, casino resorts, trade shows and conventions and for the type of luxury amenities the Group offers. In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as the increased cost of travel, an unstable job market, perceived or actual decrease in disposable consumer income and wealth, outbreaks of contagious diseases or fears of war and acts of terrorism or other acts of violence. Consumer preferences also evolve over time due to a variety of factors, including demographic changes, which, for instance, have resulted in recent growth in consumer demand for non-gaming offerings. The Group's success depends in part on its ability to anticipate the preferences of consumers and react to these trends in a timely manner and any failure to do so may negatively impact its results of operations. A recession, economic slowdown or any other significant economic condition affecting consumers or corporations generally is likely to cause a reduction in visitation to its gaming properties, which would adversely affect its operating results.

General Risks Relating to the Group's Business

The Group is subject to financial covenants under its various debt facilities

Certain loan facilities, bond issues and other borrowings which the Group has entered into or guaranteed contain, or may in the future contain, financial ratio undertakings or restrictive financial covenants. The Group is required to ensure ongoing compliance, such as specified loan-to-value ratios, loan-to-cost ratios, minimum debt service coverage ratios and minimum net equity. Examples of such restrictive financial covenants include restrictions on the ability of a subsidiary to pay dividends to the Guarantor, which may make it more difficult for the Guarantor to meet its payment obligations, including any debt payment obligations or guarantee it gives, if it does not receive cash dividends from its subsidiaries. Failure on the part of the Group to comply with, or obtain waivers concerning, such undertakings and covenants may also cause the Guarantor's and the Guarantor's subsidiaries' lenders, as the case may be, to accelerate the repayment obligations or require the Group to obtain waivers from its lenders. Where certain subsidiaries of the Guarantor act as guarantors of the relevant facilities, they may be required to pay the amount due under the relevant facilities immediately on demand if the relevant borrower does not pay any amount when due.

The Group's business and future growth depends on availability of funding

Development of properties and hotels are capital intensive. Capital costs are funded by the Group from operating cash flow and financing. The Group's ability to secure sufficient financing for land acquisition and property development depends on a number of factors which are beyond its control, including market conditions in debt and equity capital markets, investors' perceptions of its securities, lenders' perceptions of its creditworthiness, the economies in countries where the Group has operations and regulations which affect the availability and finance costs for real estate companies. The availability of future borrowings and access to the capital markets for financing depends on prevailing market conditions and the acceptability of the financing terms offered. The Group cannot ensure that future financings will be available, or available on acceptable terms, or in an amount sufficient to fund its needs. Any failure to obtain the required funding could result in the Group being unable to carry out planned upgrades or expansions in a timely manner or at all. This could have an adverse effect on the Group's business, financial conditions and results of operations.

The Group is subject to risks associated with new business opportunities and the Group may not be able to effectively manage its rapid expansion

As the Group continues to look for opportunities to expand its business through organic growth and/or acquisitions, it regularly considers and evaluates new business opportunities and synergies in existing and new markets. The Group considers and evaluates such new business opportunities from time to time and in a prudent and measured manner, taking into consideration a range of internal and external factors.

The Group has significantly expanded its operations in recent years and, in conjunction with the execution of its strategy, expects to continue to expand its operations in terms of geography, customers and capital investment. To manage its growth, the Group must continue to improve its managerial, technical, operational and other resources and to implement an effective management information system. In order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources including capital markets. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties in different jurisdictions.

There can be no assurance that the Group will not experience issues such as capacity and capital constraints, delay in capital contributions, construction delays, failure in training an increasing number of personnel to manage and operate those facilities and other issues associated including but not limited to business integration is a result of pursuing new business opportunities. In particular, failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its revenue base and to maintain its profitability. There can be no assurance that such expansion plans will not adversely affect the Group's existing operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and may cause the price of the Notes to fall. Moreover, there can be no assurance that suitable new business opportunities will arrive in a timely manner or at all.

The Group has high book gearing before taking into account the hotel revaluation surplus[1]

The Group's high level of gearing (before taking into account the revaluation surplus[1] of the Group's hotel properties) may adversely affect the Group's future strategies and operations in a number of ways, including:

- future debt service requirements will reduce the funds available to the Group for other purposes;
- the Group's ability to obtain adequate financing for working capital and capital expenditures for its projects which will affect the projects to achieve a reasonable return to the Group; and
- the Group's high leverage level (before taking into account the revaluation surplus of the Group's hotel properties) may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

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1 Hotel revaluation surplus excludes the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur, which are newly opened and valued at cost.

There can be no assurance that the Group's level of indebtedness and such restrictions will not materially and adversely affect the Group's ability to finance its future operations or capital needs, operate its business successfully, engage in other business activities or pay dividends.

The Group has uninsured risks

The Group maintains insurance coverage on some of its investment properties and properties under construction, business interruption and public liabilities in accordance with what it believes to be industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism and other natural disasters. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and results of operations. Any losses arising from events for which the Group does not have adequate insurance cover may significantly affect its business operation and the Group may not have sufficient funds to replace any property damaged or destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities may have a material adverse effect on its business, financial condition and results of operations.

The Group is subject to foreign exchange risks

The Group's revenue, costs, debts and capital expenditure are mainly denominated in Hong Kong dollars, Renminbi, Australian dollars, Singapore dollars, Malaysian Ringgits, U.S. dollars, sterling and euros. Consequently, portions of the Group's costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. Some of these currencies are subject to managed exchange rates controlled by their respective governments or may not be freely convertible or exchangeable – for example, Renminbi is pegged against a basket of currencies determined by the People's Bank of China and the exchange rate can only rise and fall by 2.0 per cent. each day against the central parity rate of U.S. dollars as published by the People's Bank of China, taking into consideration the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. To the extent that the PRC responds to international pressure to revalue the Renminbi further and/or permit the Renminbi to enter into a free floating system, the Renminbi may fluctuate more than it did in the past.

The PRC government also imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside the PRC. Some of the Group's revenue is received in Renminbi and shortages in the availability of foreign currency may restrict the ability of any members of the Group to remit sufficient foreign currency to pay dividends or other payments or otherwise satisfy their foreign currency denominated or settled obligations, such as the Notes. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside the PRC in making payments of a capital nature, such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future.

On 23 June 2016, the UK voted in a national referendum to withdraw from the European Union. The UK left the European Union on 31 January 2020, is now in an 11-month transition period and potentially faces the prospect of exiting the transition without a trade deal. As a result of the uncertainty in the immediate wake of the UK referendum and subsequent exit from the European Union coupled with a weakened economy as a result of COVID-19, the sterling has experienced significant depreciation since the vote.

The reporting currency for the Group is Hong Kong dollars. Exchange rate gains or losses will arise when the assets and liabilities in foreign currencies are translated or exchanged into Hong Kong dollars for financial reporting or repatriation purposes. If foreign currencies depreciate against the Hong Kong dollars, this may adversely affect the consolidated financial statements of the Group. While the Group engages in some hedging activities to mitigate currency exposure, these were achieved mainly by way of entering into local currency loans. Hence, the aggregate impact of such exchange rate fluctuations and any future such fluctuations on the Group's profits cannot be accurately predicted. A combination of some or all of these developments may materially and adversely affect the Group's operations and the overall financial condition and prospects of the Group.

The Group's business may be affected by global economic factors

The success and profitability of the Group's activities depend, in part, on global economic and financial conditions. The global economic and financial conditions are still unstable, following the global financial and economic crisis, including the intensifying trade tension among major economies such as that between the United States and the PRC, the European debt crisis, the potential withdrawal of countries from the Euro-zone and the UK's exit from the European Union on 31 January 2020, a slump in commodity prices, interest rate hikes, fears of a slowdown in the PRC and global economies and volatility in the PRC and other stock markets, which have led to less favourable financial and economic conditions and could as a result have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

In particular, there have been recent escalations in the trade tensions between the United States and the PRC. The imposition of tariffs by the United States on products from the PRC from July 2019 and the retaliation by the PRC have caused even greater volatility in the global markets. Although the United States and the PRC entered into a "phase one" economic and trade agreement in January 2020 as an initial step towards resolving the trade disputes between them, the effect of such an agreement and the amicable resolution of such a trade war remain elusive and the lasting impact any trade war may have on the global economy and the industries that the Group operates in remain uncertain. There remains considerable uncertainty as to the timeline and outcome of the trade negotiations between the United States and the PRC. Failure of trade negotiations between the United States and the PRC may lead to material adverse consequences on the economies of Hong Kong and other Asia Pacific countries, which could, in turn, harm the Group's business and growth prospects.

In response to the adverse conditions in the financial markets and the global economy, many countries, including the PRC, have implemented fiscal measures and other stimulus packages targeted at reducing the adverse impact of the global economic crisis and reviving their economies. The uncertain global economic outlook, together with the withdrawal or potential withdrawal of existing monetary and fiscal stimulus put in place by various governments, may have an adverse impact on the global economy which may in turn affect the overall level of business and leisure travel to, and the economies in, countries where the Group has operations.

The Hong Kong stock market has also experienced significant volatility which may continue to affect the value of the Group's investments. Any recurrence of a global financial crisis may cause a further slowdown in the global economy. Further, such changes in the global economy and financial markets may affect the availability of credit and lead to an increase in the cost of financing. The Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost or at all.

The Group is dependent upon services of key management personnel

The Group is dependent upon the collective services of all of the members of its senior management team. The loss of the services of any such person or several of such persons or a failure to implement succession plans and to find replacement for any such person or several of such persons, will result in inadequate management resources to lead and manage the Group's business development and will have an adverse effect on the Group's business. See "*Directors and Management*" for further details on the key management personnel of the Group.

The Group may from time to time be involved in legal or other proceedings arising out of its operations and/or products and may face significant liabilities as a result

The Group may be involved in disputes with various parties, including partners, contractors, suppliers, employees and customers in connection with its operations. Such disputes may lead to legal or other proceedings and may result in damage to the Group's reputation and substantial costs and diversion of resources and management attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees, resulting in pecuniary liabilities, causing delays, diverting resources and management attention or otherwise materially and adversely affecting the Group's business, financial condition or results of operations.

Since the Group implemented certain new and amendments to HKFRSs for the first time in FY2020, investors should be aware when reviewing certain comparative information

For FY2020, the Group has applied certain new and amendments to HKFRSs. See note 2 of the audited consolidated financial statements for a list of new and amendments to HKFRSs applied. Except as described below, the application of the foregoing had no material impact on the Group's performance and financial positions FY2020 and previous years and/or the disclosures set out in these consolidated financial statements.

The Group has applied HKFRS 16 *Leases* for the first time in FY2020. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and the related interpretations.

The adoption of HKFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment requirements for financial assets and hedge accounting, effective from 1 January 2018. Please refer to note 3 of the audited consolidated financial statements of the Group as at and for FY2019 for the impact of the implementation of HKFRS 9.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application. The aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations. Please refer to notes 7 and 3 of the audited consolidated financial statements of the Group as at and for FY2019 for the impact of the implementation of HKFRS 15.

Investors should exercise caution when making comparisons of any financial information of the Group and when evaluating the Group's business, financial condition and results of operations.

Risks Relating to the PRC

A certain portion of the Group's development projects and hotel operations are located in the PRC and a certain portion of its revenue is derived from its operations in the PRC. Accordingly, the Group's financial condition, results of operations and prospects will be subject to the economic, political and legal developments in the PRC as well as the economies in the surrounding region.

The PRC's economic, political and social conditions as well as government policies could affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC economy from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the demand for the Group's properties and hospitality services may also slow down and hence the Group's business, financial condition and results of operations may be adversely affected.

While the PRC economy has generally experienced significant growth in the past three decades, growth has also been uneven, both geographically and among various sectors of the economy and the PRC economy may not be able to sustain its current growth rate. If the PRC economy experiences a decrease in growth rate or a significant downturn, the Group's business, financial condition or results of operations could be materially and adversely affected.

In addition, demand for the Group's properties and hospitality services and its business, financial condition and results of operation may be adversely affected by (among others):

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of PRC laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Dividends payable to the Group by its PRC operating subsidiaries may be subject to PRC withholding taxes and the Group may be subject to PRC taxation on its worldwide income. Interests paid to the Noteholders by the Group may be subject to PRC withholding taxes under the new PRC tax law

Under the PRC Enterprise Income Tax Law and its implementing rules (collectively, the "**EIT Laws**"), dividends, interests, rents and royalties payable by a foreign invested enterprise in the PRC to its foreign investor who is a non-resident enterprise, as well as gains on transfers of shares of a foreign-invested enterprise in the PRC by such a foreign investor, will be subject to ten per cent. withholding tax, unless such non-resident enterprise's place of incorporation has a tax treaty with the PRC that provided for a reduced rate of withholding tax.

In addition, under the EIT Laws, an enterprise established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25 per cent. enterprise income tax rate as to their global income. The "de facto management body" is defined as the organisational body that effectively exercises overall management control over the production and business operations, personnel, finance, accounting and properties of the enterprise. It remains unclear how the tax authorities will interpret such a broad definition. If the PRC tax authorities subsequently determine that the Group should be classified as a resident enterprise, then its worldwide income will be subject to income tax at a uniform rate of 25 per cent., which will decrease its earnings from operations. Notwithstanding the foregoing provision, the EIT Laws also provides that, if a PRC resident enterprise directly invests in another PRC resident enterprise, the dividends received by the investor from the investee are exempted from income tax, subject to certain conditions. Therefore, if the Issuer is classified as a resident enterprise, the dividends that the Group receives from its PRC operating entities may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company having ownership interests in a PRC enterprise. If the Issuer is regarded as a PRC resident enterprise, it would be obligated to withhold PRC income tax of up to seven per cent. on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or ten per cent. on payments of interests and other amounts on the Notes to investors that are non-resident enterprises located in other countries or regions unless a reduced rate is available under applicable tax treaties between their countries of tax residence and the PRC, as the interests and other distributions would be regarded as being derived from sources within the PRC. Similarly, any gain realised by non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and accordingly would be subject to a ten per cent. PRC withholding tax.

Investments in the PRC involve approval risks

Property development projects in the PRC require approvals to be obtained from a number of governmental authorities at different levels, receipt of which cannot be assured. These property development projects have been and may in the future be subject to certain risks, including changes in governmental regulations and economic policies, including, among others, regulations and policies restricting supply of land and construction and sales of residential properties and related limitations on extensions of credit and mortgage loans, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained.

The legal system in the PRC

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have limited precedential value. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of any inadvertent violation by it of these policies or rules until some time after such violation. In addition, litigation in the PRC may be protracted and may result in substantial costs. Since the administrative and court authorities in the PRC have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative or court proceedings in the PRC than in more developed legal systems. The Group cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The enforcement of regulations on land appreciation tax ("LAT") by the PRC tax authorities may adversely affect the Group's cash flow position

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax promulgated on 13 December 1993, which took effect on 1 January 1994 and was amended on 8 January 2011, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax dated 27 January 1995 (the "**LAT Implementation Rules**"), all units and individuals receiving net profit from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay LAT at progressive rates from 30 per cent. to 60 per cent. on the appreciation value as defined in the relevant tax laws. If the taxpayer constructs ordinary residential properties and the amount of appreciation does not exceed certain thresholds set forth in the tax regulation, the taxpayer is exempt from payment of LAT. On 28 December 2006, the State Administration of Taxation issued the Notice in Relation to the Settlement of LAT levied on Real Estate Development Enterprises (the "**LAT Notice**"), which became effective on 1 February 2007. The LAT Notice sets forth, among others, methods of calculating LAT and a time frame for settlement.

The Group has paid off the LAT for most property development projects in Shanghai at the amount assessed by the tax authorities upon the completion of such projects. For those properties still under development, the Group believes it has made adequate provisions based on its estimate of the amount of applicable LAT payable in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but it has only prepaid a portion of such provisions each year as required by the local tax authorities. The Group will make a final accounting of the appreciation values in connection with the sale of the Group's properties of each of its projects according to the requirements of the LAT Notice and shall be prepared to settle the difference with the tax authorities if necessary.

As at 31 March 2018, 2019 and 2020, the Group made provisions for LAT in connection with its Shanghai and Guangzhou subsidiaries in the amounts of approximately HK$145 million, HK$94 million and HK$40 million, respectively. Properties provisioning for LAT requires the Group's management to use a significant amount of judgment with respect to, among others, the anticipated total proceeds to be derived from the sale of the Group's property development projects, the total appreciation of land value and the various deductible items. If the LAT provisions the Group has made are substantially lower than the actual LAT amounts assessed by the tax authorities in the future, its results of operations will be materially and adversely affected.

If the Group is required by the tax authorities to settle the full amount of LAT assessed within a short period of time, its liquidity and cash flow position may be materially and adversely affected. The Group may be required to obtain additional financing to pay for its land acquisition or other operating activities. If the Group is unable to obtain additional financing in a timely manner and on acceptable terms or at all, this will materially and adversely affect its business and results of the Group's operations.

Risks associated with the political and economic situation in Hong Kong and the PRC

On 1 July 1997, Hong Kong became a Special Administrative Region of the PRC. Although Hong Kong has thus far enjoyed a high degree of legislative, judicial and economic autonomy since the handover, there can be no assurance that there will not be a change in regulatory oversight as a consequence of the exercise of PRC sovereignty over Hong Kong or, should such change occur, that the Group's business, financial condition and the results of its operations will not be adversely affected.

A significant portion of the Group's revenue is generated from its operations in Hong Kong. Accordingly, its operations and performance may be affected by the general political and economic circumstances in Hong Kong and the PRC. Future political or economic instability or a sustained slowdown in domestic economic activities, especially in relation to property, will adversely affect the Group's business if it leads to an increase in defaults of tenants.

The recent anti-extradition bill protests and disruption to businesses and transportation in various parts of Hong Kong may decrease consumer spending and affect inbound tourism to Hong Kong, which in turn may have a negative impact on the Hong Kong economy. Civil unrest is outside the control of the Group and there can be no assurance that further large-scale protests will not occur in the future or as to the authorities' reactions to any such protests if they recur and the effect on the stability of the political and economic conditions in the region.

Risks Relating to the Notes Issued under the Programme and the Guarantee

The Issuer is a special purpose financing entity with no operation of its own. Its ability to make payments under the Notes will depend on timely payments under on-lent loans of the proceeds from the issue of the Notes

The Issuer is a wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not been engaged, since its incorporation, in any material activities other than the establishment of the Programme and activities in connection with the issue of Notes under the Programme. As at the date of this Offering Circular, the Issuer has limited assets and no business operations other than the establishment of the Programme and activities in connection with the issue of Notes under the Programme. The Issuer's ability to make payments under the Notes is directly dependent on timely remittance of funds from the Guarantor and/or other members of the Group.

The Notes and the Guarantee are unsecured obligations

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and the Guarantee may be adversely affected if:

- the Issuer or the Guarantor (as the case may be) enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings; or
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes or the Guarantee.

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Modification and waivers of a formal, minor or technical nature may be agreed to without the consent of Noteholders or Couponholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders or Couponholders agree, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes, the Agency Agreement or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

The Trustee may request that the Noteholders provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders

In certain circumstances (including the giving of notice to the Issuer pursuant to Condition 10 and the taking of enforcement steps pursuant to Condition 12), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable laws or regulations, it will be for the Noteholders to take such actions directly.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or lodged with CMU (each of Euroclear, Clearstream, Luxembourg and CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg or, as the case may be, to CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The Issuer or the Guarantor may be unable to redeem the Notes

On certain dates, including upon a change in relevant taxation laws in the Cayman Islands or Hong Kong or on a Change of Control (as defined in "*Terms and Conditions of the Notes*") of the Issuer, and at maturity, the Issuer or the Guarantor (as the case may be) may, and at maturity will, be required to redeem all or a portion of a Tranche of Notes. If such an event were to occur, the Issuer or the Guarantor (as the case may be) may not have sufficient cash in hand and may not be able to arrange financing to redeem the Tranche of Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer or the Guarantor (as the case may be) would constitute an event of default under the relevant Tranche of Notes, which may also constitute a default under the terms of other Tranches of Notes and of other indebtedness of the Group. If the other indebtedness of the Group were to be accelerated, the Issuer or the Guarantor (as the case may be) may not have sufficient funds to purchase the Notes and repay the indebtedness.

The Guarantor is primarily a holding company and payments with respect to the Notes are structurally subordinated to liabilities and obligations of each of the Guarantor's subsidiaries

The Guarantor is primarily a holding company and its ability to make payments in respect of the Notes depends largely upon the receipt of dividends, distributions, interests or advances from its wholly or partly-owned subsidiaries and associated companies. The ability of the subsidiaries and associated companies of the Guarantor to pay dividends and other amounts to the Guarantor may be subject to their profitability and to applicable laws. Payments under the Notes are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries and associated companies. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Notes.

As at 31 March 2020, the Guarantor's subsidiaries had unsubordinated indebtedness in the amount of HK$19,912 million (U.S.$2,553 million) and capital commitments contracted for in the amount of HK$1,298 million (U.S.$166 million). The Notes and the Trust Deed do not restrict the ability of the Guarantor's subsidiaries to issue certain categories of guarantees in the ordinary course of business.

In addition, the Issuer's secured creditors would have priority as to the Group's assets securing the related obligations over claims of the holders of the Notes. As at 31 March 2020, the Group had secured bank borrowings in the amount of HK$16,558 million (U.S.$2,119 million).

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks" (including Floating Rate Notes)

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be "benchmarks", including the London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**"), in particular with respect to certain floating rate Notes where the Reference Rate (as defined in the Conditions) may be LIBOR, EURIBOR or another such benchmark. The Pricing Supplement for Notes will specify whether LIBOR, EURIBOR or another such benchmark is applicable.

Benchmarks are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, the UK Financial Conduct Authority has announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark and that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021 by the UK Financial Conduct Authority.

In the event that LIBOR is permanently discontinued, the Issuer may, after appointing and consulting with an Independent Adviser, determine a Successor Rate or Alternative Rate to be used in place of LIBOR where LIBOR has been selected as the Reference Rate to determine the Rate of Interest. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest may result in Notes linked to or referencing LIBOR performing differently (including paying a lower Rate of Interest) than they would do if LIBOR were to continue to apply in its current form.

Furthermore, if a Successor Rate (as defined in the Conditions) or Alternative Rate (as defined in the Conditions) for LIBOR is determined by the Issuer, the Conditions provide that these Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Conditions also provide that an Adjustment Spread may be determined by the Issuer to be applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, so far as is practicable, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of LIBOR with the Successor Rate or the Alternative Rate. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to Noteholders and Couponholders. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest.

The Conditions do not permit the Issuer to determine a Successor Rate or Alternative Rate to be used in place of LIBOR, in circumstances where the Issuer is unable to appoint and consult with an Independent Adviser of international repute, or with appropriate expertise. In the event of a permanent discontinuation of LIBOR, the Issuer may be unable to appoint an Independent Advisor in a timely manner, or at all, in which case it will be unable to determine a Successor Rate or Alternative Rate. In these circumstances, where LIBOR has been discontinued, the Rate of Interest will revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued and such Rate of Interest will continue to apply until maturity.

In addition, if LIBOR is discontinued permanently and the Issuer, for any reason, is unable to determine any of the Successor Rate or Alternative Rate, the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued and such Rate of Interest will continue to apply until maturity.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual currency notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(a) the market price of such Notes may be volatile;

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time or in a different currency than expected; and

(d) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("**LIBOR**"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes issued

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks Relating to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Interest rate risk

The Group is subject to the risk of rising interest rates associated with borrowings on a floating rate basis. The Group seeks to manage all or part of its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments. Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements and that such arrangements may not be effective in reducing exposure to movements in interest rates. To the extent that the Group does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect the Group's results.

Although the Group's interest rate hedging transactions are undertaken to achieve economic outcomes in line with its treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). The Notes may initially be sold to a small number of investors. A limited number of investors may purchase a significant portion of the Notes offered. Accordingly, a liquid trading market may not develop or be sustained, in which case investors may not be able to resell their Notes at their fair market value or at all. If such a market were to develop, the Notes may trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and of the Group. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

> Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Risks Relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into or outside the PRC

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar, despite significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Currently, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity.

On 7 April 2011, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent from the relevant Ministry of Commerce ("**MOFCOM**") to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the People's Bank of China ("**PBOC**") promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC Renminbi FDI Measures**"), which was amended on 29 May 2015, as part of the implementation of the PBOC's detailed foreign direct investment (FDI) accounts administration system. The system covers almost all aspects of FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC Renminbi FDI Measures, which was amended on 29 May 2015. Under the PBOC Renminbi FDI Measures, special approval for FDI and shareholder loans from the PBOC which was previously required is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the Notice on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的通知) promulgated by MOFCOM on 12 October 2011 (the "**2011 MOFCOM Notice**"). Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of CNY300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the SAFE Circular, the PBOC Renminbi FDI Measures and the MOFCOM Circular are relatively new regulations, they will be subject to interpretation and application by the relevant PRC authorities. See "*PRC Currency Controls*".

There is no assurance that the PRC government will continue to liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance their respective obligations under Renminbi Notes and their ability to do so will be subject to the overall availability of Renminbi outside the PRC.

The availability of Renminbi outside the PRC may be limited, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong, Taiwan, London and Frankfurt. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited, Bank of China, Taipei Branch, China Construction Bank (London) Limited and Bank of China, Frankfurt Branch (each a "**Renminbi Clearing Bank**") has entered into settlement agreements with the PBOC to act as the Renminbi clearing bank in Singapore, Hong Kong, Taiwan, London and Frankfurt respectively.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the relevant Renminbi Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position and the relevant Renminbi Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The relevant Renminbi Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU and/or Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]*[1] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs REGULATION – PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"): (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**")[2]. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]

[**Singapore Securities and Futures Act Product Classification**: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures Act (Capital Market Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes [are]/[are not] prescribed capital markets products (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][3]

[[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (together, "**Professional Investors**") only.

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1 The ICMA proposed proportionate "professional investors" only product governance approach envisages that a negative target market will be unlikely. At the time of the programme establishment/update, consider what types of bonds may be issued and whether the flexibility to include a negative target market may be needed for a particular issuance. Note that a programme which only envisages vanilla issuance (this will be the majority of the deals done in Asia) is unlikely to require a negative target market placeholder. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]."

2 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

3 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][4]]

Pricing Supplement dated [[●]]

FEC Finance Limited
Issue of ***[Aggregate Nominal Amount of Tranche] [Title of Notes]***
Guaranteed by Far East Consortium International Limited
under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 16 October 2020. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first Tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

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[4] Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	(i) Issuer:	FEC Finance Limited (Legal Entity Identifier code: 549300TTP03NH9IE6530).
2	(ii) Guarantor	Far East Consortium International Limited
3	[(i)] Series Number:	[●]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[●]
4	Specified Currency or Currencies:	[●][5]
5	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
6	[(i)] Issue Price:	[●] per cent., of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)]*
	[(ii) Net proceeds:	[●] *(Required only for listed issues)]*
7	(i) Specified Denominations:	[●][6, 7, 8]
	(ii) Calculation Amount:	*[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor]* *[N.B. There must be a common factor in the case of two or more Specified Denominations]*

5 If the specified currency is the Hong Kong dollar, transfers of the Notes may be subject to the Hong Kong stamp duty and specific tax advice should be sought.

6 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

7 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower nominal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

8 Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

8	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]
9	Maturity Date:	*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[9]
10	Interest Basis:	[[●] per cent. Fixed Rate] *[[specify reference rate] +/- [●] per cent. Floating Rate]* [Zero Coupon] [Other (*specify*)] (further particulars specified below)
11	Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Instalment] [Other (*specify*)]
12	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
13	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
14	(i) Status of the Notes:	Senior
	(ii) Date of Board Resolutions approving the issuance of the Notes:	[●]
15	Listing:	[Hong Kong/Other (*specify*)/None] *(For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)*
16	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[●] per cent., per annum payable [annually/semi-annually/ quarterly/monthly] in arrear

9 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]*
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[10]
	(iv)	Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment date falling [in/on] [●]
	(v)	Day Count Fraction (Condition 5(j)):	[30E/360/Actual/Actual – ICMA/Actual/365 (fixed)/other]
	(vi)	Determination Date(s) (Condition 5(j)):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual – ICMA]*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
18		Floating Rate Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Interest Period Date(s):	[●] *(Not applicable unless different from Interest Payment Date)*
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
	(v)	Business Centre(s) (Condition 5(j)):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]

10 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01 and HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[The Hongkong and Shanghai Banking Corporation Limited/other (*give details*)]
(viii) Screen Rate Determination (Condition 5(b)(ii)(B)):	
• Reference Rate:	[●] *(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other)*
• Interest Determination Date:	[●] *(the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro or Hong Kong Dollars or first day of each Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollar or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro)*
• Relevant Screen Page:	[●] *[(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]*
(ix) ISDA Determination (Condition 5(b)(ii)(A)):	
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
• ISDA Definitions:	2006 (if different to those set out in the Conditions, please specify)
(x) Margin(s):	[+/-] [●] per cent., per annum
(xi) Minimum Rate of Interest:	[●] per cent., per annum
(xii) Maximum Rate of Interest:	[●] per cent., per annum
(xiii) Day Count Fraction (Condition 5(j)):	[●]

	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
19	Zero Coupon Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield (Condition 6(b)):	[●] per cent., per annum
	(ii)	Any other formula/basis of determining amount payable:	[●]
20	Dual Currency Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/Method of calculating Rate of Exchange:	*[Give details]* [●]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not [●] as Calculation Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21	Call Option:			[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):		[●]
	(ii)	Optional Redemption Amount(s) per Calculation Amount of each Note and method, if any, of calculation of such amount(s):		[●] per Calculation Amount
	(iii)	If redeemable in part:		
		(a)	Minimum Redemption Amount:	[●] per Calculation Amount
		(b)	Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:		[●]
22	Put Option:			[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):		[●]
	(ii)	Optional Redemption Amount(s) per Calculation Amount of each Note and method, if any, of calculation of such amount(s):		[●] per Calculation Amount
	(iii)	Notice period:		[●]
23	Final Redemption Amount of each Note:			[●] per Calculation Amount
24	Early Redemption Amount:			
	(i)	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	[Bearer Notes/Exchangeable Bearer Notes/ Registered Notes] *[Delete as appropriate]* [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [●] days' notice][11] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
26	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 17(ii) and 18(iv) relate]*
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28	Details relating to Instalment Notes: amount of each Instalment, date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late repayment	[Not Applicable/*give details*]
29	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
30	Consolidation provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
31	Other terms or special conditions:	[Not Applicable/give details]

[11] If the specified denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [●] days' notice.

DISTRIBUTION

32	(i) If syndicated, names of Managers:	[Not Applicable/give names] *[include date and description of subscription agreement]*
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name(s)*]
33	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
34	U.S. selling restrictions:	[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
35	Prohibition of Sales to EEA and UK Retail Investors	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no Key Information Document will be prepared, "Applicable" should be specified.)*
36	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37	ISIN Code:	[●]
38	Common Code:	[●]
39	CMU Instrument Number:	[●]
40	The Legal Entity Identifier of FEC Finance Limited	549300TTP03NH9IE6530
41	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
42	Delivery:	Delivery [against/free of] payment
43	Additional Paying Agent(s) (if any):	[●]
44	Registrar (if other than The Hongkong and Shanghai Banking Corporation Limited):	*[please specify (if any)]*

GENERAL

45	The aggregate nominal amount of Notes issued has been translated into [U.S. dollars] at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/[U.S.$][●]]
46	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/(specify other)]
47	In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London:	[Not Applicable/(specify other)]
48	Alternative use of proceeds:	[Not Applicable/(specify other)] *(to be specified if different from the use of proceeds set out in the Offering Circular)*

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and listing on the [Hong Kong Stock Exchange] of the Notes described herein pursuant to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme of FEC Finance Limited.

[STABILISATION

In connection with this issue, [*Insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited time. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There[12]] has been no adverse change in the financial condition, prospects, results of operations, business, management or properties of the Issuer, the Guarantor or of the Group since [*Insert date of last published annual accounts*] which is material and adverse in the context of the issue and offering of the Notes.]

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12 If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Guarantor:	Signed on behalf of the Issuer:
By: Duly authorised	By: Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and in Part A of the relevant Pricing Supplements, provided that, in the event of inconsistency between the relevant Pricing Supplement and these Conditions, the relevant Pricing Supplement will prevail. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. References in these Conditions to information and/or elections as specified or shown "hereon" shall mean as specified in the applicable Pricing Supplement.

The Notes are constituted by an amended and restated trust deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 16 October 2020 between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. An amended and restated agency agreement (as further amended, restated and/or supplemented from time to time, the "**Agency Agreement**") dated 16 October 2020 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s), the exchange agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Issuing and Paying Agent", the "CMU Lodging and Paying Agent", the "Paying Agents" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar), the "Exchange Agent(s)" and the "Calculation Agent(s)" (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar, Transfer Agent(s), Exchange Agent(s) and Calculation Agent(s) being together referred to as the "Agents"). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours (being between 9:00 a.m. to 3:00 p.m.) at the principal office in Hong Kong of the Trustee (presently at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices of the Paying Agents and the Transfer Agents following prior written request and proof of holding satisfactory to the Trustee or, as the case may be, the Paying Agents or the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Pricing Supplement and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have meanings given to them in the Trust Deed, the Agency Agreement and in the relevant Pricing Supplement, provided that, in the event of inconsistency between the relevant Pricing Supplement and these Conditions, the relevant Pricing Supplement will prevail.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Transfers Free of Charge

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require) in respect of tax or charges.

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of seven days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of seven days prior to (and including) any redemption date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after an Exercise Notice has been deposited in respect of such Note, or (iv) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

(a) The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4 Negative Pledge

Each of the Issuer and the Guarantor undertakes that, so long as any of the Notes remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Note or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any other subsidiary or associate (as defined in the Trust Deed) of the Guarantor (or any guarantee or indemnity in respect thereof) unless the outstanding Notes are forthwith secured by the same Encumbrance or, at the option of the Issuer by such other security as the Noteholders by Extraordinary Resolution may approve.

In these Conditions:

(a) any reference to an "**Encumbrance**" is to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;

(b) any reference to "**Relevant Indebtedness**" is to any indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement); and

(c) any reference to a "**subsidiary**" or "**Subsidiary**" of the Issuer or the Guarantor is to a company the financial statements of which, in accordance with applicable law and generally accepted accounting principles, are or should be consolidated with those of the Issuer or the Guarantor.

5 Interest and Other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) **Interest Payment Dates**: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "Interest Payment Date" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Rate of Interest for Floating Rate Notes**: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or as at 11.15 a.m. (Hong

Kong time, or if, at or around that time it is notified that the fixing will be published at 2.30 p.m., then 2.30 p.m. Hong Kong time, in the case of CNH HIBOR) on the Interest Determination Date in question plus or minus the Margin (if any) as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), or if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be calculated on the basis of the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be calculated on the basis of the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(iii) **Rate of Interest for Index Linked Interest Notes**: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(iv) **Benchmark discontinuation**

(A) Independent Adviser

(x) If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer or the Guarantor shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iv)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(iv)(D)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iv) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders, the holders of Receipts or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iv).

(y) If (i) the Issuer or the Guarantor is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 5(b)(ii)(B) prior to the relevant Interest Determination Date, the Rate of

Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this Condition 5(b)(iv)(A)(y) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in Condition 5(b)(iv)(A)(x).

(B) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(x) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)); or

(y) there is no Successor Rate but there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)).

(C) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iv) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer or the Guarantor shall, subject to giving notice thereof in accordance with Condition 5(b)(iv)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer or the Guarantor, but subject to receipt by the Trustee of a certificate signed by two directors of the Issuer or the Guarantor, the Trustee shall (at the expense of the Issuer or the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer or the Guarantor in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(b)(iv)(D), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iv) will be notified promptly by the Issuer or the Guarantor to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 17, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer or the Guarantor shall deliver to the Trustee a certificate signed by an authorised signatory of the Issuer or the Guarantor:

(a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iv); and

(b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer or the Guarantor under Conditions 5(b)(iv)(A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii) will continue to apply unless and until a Benchmark Event has occurred.

As used in this Condition 5(b)(iv)

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if Independent Adviser determines that no such spread is customarily applied);

(iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative to the Reference Rate which the Independent Adviser determines in accordance with Condition 5(b)(iv)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(b)(iv)(D).

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer, the Guarantor, the Guarantor or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that in the case of sub-paragraphs (ii), (iii), (iv) and (v), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, or the date the Original Reference Rate is no longer representative of its relevant underlying market, as the case may be, and not the date of the relevant public statement.

Financial Stability Board is an international body that monitors and makes recommendations about the global financial system.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer or the Guarantor under Condition 5(b)(iv)(A).

"**Original Reference Rate**" means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a Reference Rate:

(i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum Rates of Interest/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 5(g)(ii).

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula).

Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(l), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(([360 \times (Y2-Y1)]+[30 \times (M2-M1)]+(D2-D1))}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls; "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(([360 \times (Y2-Y1)]+[30 \times (M2-M1)]+(D2-D1))}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{(([360\times(Y2\text{-}Y1)]+[30\times(M2\text{-}M1)]+(D2\text{-}D1))}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

(vii) if "Actual/Actual-ICMA" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR or CNH HIBOR, the principal Hong Kong office of four major banks dealing in the Specified Currency in the Hong Kong inter-bank market, in each case selected by the Issuer or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) Calculation Agents

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place.

(l) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

6 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) Early Redemption

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately before the giving of such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or, as the case may be, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer (as a certificate signed by two directors of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and (B) an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled without further enquiry to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(c), in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption at the Option of Noteholders

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an

"**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or (as applicable) any Transfer Agent within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) Redemption for Change of Control Event

Following the occurrence of a Change of Control Event (as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Notes on the Change of Control Redemption Date (as defined below) at 100 per cent. of their nominal amount together with interest accrued to the date fixed for redemption. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Change of Control Redemption Notice**") together with the Certificate evidencing the Notes to be redeemed by not later than 60 days following a Change of Control Event, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 17. The "Change of Control Redemption Date" shall be the 14 day after the expiry of such period of 60 days as referred to above.

A Change of Control Redemption Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of Change of Control Redemption Notices delivered as aforesaid on the Change of Control Redemption Date.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether an Event of Default or Change of Control Event or any event which could lead to the occurrence of an Event of Default or Change of Control Event has occurred.

The Issuer shall give notice to Noteholders in accordance with Condition 17 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition and shall give brief details of the Change of Control Event.

For the purposes of this Condition 6(f):

a "**Change of Control Event**" occurs when:

(i) any Person or Persons acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date other than, David Chiu and/or the estate of Deacon Te Ken Chiu, companies directly or indirectly controlled by either or both of them, or trusts of which either or both of them or their family members or relatives are beneficiaries, acting individually or together (the "**Permitted Persons**");

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other Person or Persons (other than the Permitted Persons), unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Guarantor or the successor entity;

(iii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(iv) one or more Persons (other than the Permitted Persons) acquires the legal or beneficial ownership of all or substantially all of the Guarantor's issued share capital; and

"**Control**" means, with respect to any Person:

(i) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital such Person; or

(ii) the right to appoint and/or remove all or the majority of the members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and

(iii) "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor's directors or any other governing board and does not include the Guarantor's wholly-owned direct or indirect Subsidiaries.

Prior to the publication of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver or procure that there is delivered to the Issuing and Paying Agent to make available at its specified office to Noteholders a certificate signed by one director of the Issuer or the Guarantor (as the case may be) stating that the circumstances referred to above prevail and setting out the details of such circumstances, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in this Condition 6(f), in which event it shall be conclusive and binding on the Noteholders.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) Purchases

The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12 or as provided in the definition of "outstanding" in the Trust Deed.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by wire transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Registered Notes

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by wire transfer to the registered account of the holder (or to the first named of joint holders) of such Note. For the purposes of this Condition 7(b)(ii), a Holder's "registered account" means the Renminbi-denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder. In this Condition 7(b), "registered account" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment. So long as the Global Note or the Global Certificate (as applicable) is held on behalf of Euroclear and/or Clearstream, Luxembourg, each payment in respect of the Global Note or the Global Certificate (as applicable) will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. In respect of any Global Note or Global Certificate (as applicable) held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate (as applicable) are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) at the close of business on the Clearing System Business Day immediately prior to the due date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents, the Exchange Agents and the Calculation Agents initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents, any Exchange Agent appointed under the Agency Agreement and the Calculation Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, any Exchange Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Agency Agreement, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed, in the case of each Agent referred to in (i), (ii), (iii), (iv) and (v) of this Condition 7(e), as approved in writing by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders.

(f) Unmatured Coupons and Receipts and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), the Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required), in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are pen for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal, premium and interest made by the Issuer or the Guarantor under or in respect of the Notes, the Receipts, the Coupons, or under the Guarantee (as the case may be), the Trust Deed or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as will result in the receipt by the Noteholders and Couponholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Note:

(a) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Cayman Islands or Hong Kong otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note; or

(b) (in the case of a payment of principal) if the Note (or Certificate in respect of such Note) is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, "**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the

Principal Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders and payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Prescription

Claims against the Issuer in respect of amounts due in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest or premium) from the Relevant Date (as defined in Condition 8) in respect thereof.

10 Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly thereby become, immediately due and repayable at their Early Redemption Amount together with accrued and unpaid interest if any of the following events has occurred (each an "**Event of Default**"):

(a) a default is made for more than three days in the payment of any principal or interest due in respect of the Notes;

(b) the Issuer or the Guarantor does not perform or comply with one or more of its other obligations in the Notes or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee;

(c) the Issuer or the Guarantor or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or the Guarantor or any of their Principal Subsidiaries; an administrator or liquidator of the Issuer or the Guarantor or any of their Principal Subsidiaries or the whole or any part of the assets and turnover of the Issuer or the Guarantor or any of their Principal Subsidiaries is appointed (or application for any such appointment is made);

(d) any other present or future indebtedness (whether actual or contingent) of the Issuer or the Guarantor or any of their respective Principal Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds U.S.$20,000,000 or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity;

(e) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any of the property, assets or turnover of the Issuer or the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 30 days;

(f) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor or any of their respective Principal Subsidiaries (except for a members' voluntary solvent winding-up), or the Issuer or the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another of their respective Principal Subsidiaries;

(g) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed, of the whole or any part of the property, assets or turnover of the Issuer or the Guarantor or any of their respective Principal Subsidiaries (as the case may be) and is not discharged within 30 days;

(h) (i) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or the Guarantor or any of their respective Principal Subsidiaries; or (ii) the Issuer or the Guarantor or any of their respective Principal Subsidiaries is prevented from exercising normal control over all or any substantial part of its property, assets and turnover;

(i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Guarantee and the Trust Deed admissible in evidence in the courts of the Cayman Islands or England or Hong Kong is not taken, fulfilled or done;

(j) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed;

(k) the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(a) to 10(k) (both inclusive).

For the purpose of these Conditions, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose gross revenues or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross revenues, as shown by its latest audited statement of profit or loss are at least five per cent. of the consolidated gross revenues as shown by the latest published audited consolidated statement of profit or loss of the Guarantor; or

(b) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited statement of financial position are at least five per cent. of the amount which equals the amount included in the consolidated gross assets of the Guarantor as shown by the latest published audited consolidated statement of financial position of the Guarantor, including the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interest;

provided that, in relation to paragraphs (a) and (b) above in respect of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total assets and revenue of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Guarantor and reviewed by the Auditors (as defined in the Trust Deed) for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets and revenue (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor and reviewed by the Auditors for the purposes of preparing a certificate thereon to the Trustee;

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; and

(v) any Subsidiary of the Guarantor to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a

Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary upon such transfer but shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a) or (b) above of this definition.

In addition, for purposes of this Condition 10, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the gross revenues (or consolidated gross revenues if the Subsidiary itself has subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has subsidiaries) attributable to such Subsidiary when aggregated with the gross revenues (or consolidated gross revenues if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 10 (disregarding the necessity for any opinion of the Trustee or any requirement for the Trustee to be satisfied as to any matter) has occurred since the Issue Date of the Notes, exceeds five per cent. of the consolidated gross revenues or consolidated gross assets of the Guarantor.

A certificate by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary of the Guarantor is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Guarantor, the Trustee and the Noteholders.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing over 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than

33 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The consent or approval of the Noteholders shall not be required in the case of amendments to the Conditions pursuant to Condition 5(b)(iv) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 5(b)(iv), where the Issuer or the Guarantor has delivered to the Trustee a certificate pursuant to Condition 5(b)(iv)(E).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Notes, the Agency Agreement or the Trust Deed that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes, the Agency Agreement or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification shall be notified by the Issuer to the Noteholders as soon as practicable.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and subject to the Trustee obtaining approval by way of an Extraordinary Resolution of the Noteholders, to the substitution of the Issuer or the Guarantor's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or the Guarantor or their respective successor in business in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. No Noteholder, Couponholder or Receiptholder shall, in connection with any such substitution be entitled to claim any indemnification or payment in respect of any tax consequence thereof to such Noteholder, Couponholder or holder of a Receipt except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee, acting for and on behalf of Noteholders, shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders. For the avoidance of doubt, the provisions of this Condition 11(d) shall not restrict or prevent the Trustee from claiming any indemnity or payment from the Issuer or the Guarantor for its own account.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer (or the Guarantor, as the case may be) as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any actions and/or steps and/or instituting any proceedings in any jurisdiction if the taking of such actions and/or steps and/or the instituting of such proceedings in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such actions and/or steps and/or instituting such proceedings if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including, without limitation, from taking proceedings to enforce payment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely conclusively without liability to Noteholders or Couponholders on any report, confirmation or certificate from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, advice or opinion, in which case such report, confirmation, certificate, advice or opinion shall be binding on the Trustee and the Noteholders.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders or the Couponholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or any authority therein or thereof having power to tax.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the

Guarantor, the Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer (or the Guarantor, as the case may be) in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder or Couponholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

Each Noteholder or Couponholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder or Couponholder shall not rely conclusively on the Trustee in respect thereof.

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any Series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes.

16 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 16, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

18 Contracts (Rights of Third Parties) Act 1999

No Noteholder or Couponholder shall have any right to enforce any term or condition of the Notes or any provisions of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

19 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Service of Process

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

(d) Waiver of immunity

Each of the Issuer and the Guarantor has irrevocably agreed in the Trust Deed that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer has irrevocably consented in the Trust Deed generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

1 Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 3.6 below):

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the agency agreement dated 25 August 2016 (as amended or supplemented from time to time) (the "**Agency Agreement**") for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent bearer Global Note or for Definitive Notes is improperly withheld or refused.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that, in the case of the first transfer of part of a holding as contemplated above, the person whose name is entered in the Register (the

"**Registered Holder**") has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes.

Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes, within five business days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused by or on behalf of the Issuer or the Issuer does not perform or comply with any one or more of what are expressed to be its obligations under any Definitive Notes. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for enfacement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which enfacement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Condition 5 (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held on behalf of the Clearing Systems, the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note or Global Certificate.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global

Certificate, by reduction in the aggregate nominal amount of the Certificates in the register of the certificate holders, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

4.8 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee or sub-custodian for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.9 Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

5 Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for refinancing, business development and general corporate purposes or as may otherwise be disclosed in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

As at 31 March 2020, the authorised share capital of the Guarantor was HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.1 par value each ("**Shares**") and its issued share capital was HK$236,942,120.90, consisting of 2,369,421,209 ordinary shares of HK$0.1 par value each.

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 31 March 2020:

	As at 31 March 2020
	(HK$'000)
Current portion of bank and other borrowings	
Current portion of bank borrowings	6,505,953
Non-current portion of bank and other borrowings	
Non-current portion of bank borrowings	13,405,809
Notes and bonds	3,548,124
Total non-current portion of bank and other borrowings	16,953,933
Equity	
Share capital	236,942
Share premium	4,534,687
Reserves	6,346,903
Owners of perpetual capital notes	2,904,535
Other non-controlling interests	290,667
Total equity	14,313,734
Total capitalisation(1)	31,267,667
Total current portion of bank and other borrowings and total capitalisation	37,773,620

Note:

(1) Total capitalisation represents the sum of non-current portion of bank and other borrowings and total equity.

Other than as disclosed above, there has been no material change in the capitalisation and indebtedness of the Guarantor since 31 March 2020.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was established as a limited liability company in Hong Kong on 12 January 2018 under the name "Topping Excel Limited". It was subsequently converted to a public company limited by shares upon special resolution passed on 20 August 2019 under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and its name was changed to "FEC Finance Limited". The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The Issuer has no material assets and will conduct no business except in connection with corporate treasury functions, including the establishment of the Programme and the issuance of the Notes. The Issuer's registered office is at 16 Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

BUSINESS ACTIVITY

The Issuer has not sold any products or provide any services and has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation, corporate treasury functions and in connection with the Programme and the issue of Notes and any other activities in connection therewith or incidental thereto (such activities shall, for the avoidance of doubt, include (i) the establishment and maintenance of the Programme and (ii) the offering, sale or issuance of the Notes under the Programme).

DIRECTORS

The directors of the Issuer are Tan Sri Dato' David CHIU and Mr Cheong Thard HOONG.

As at the date of this Offering Circular, Tan Sri Dato' David CHIU has an interest in the 7.375 per cent. U.S.$ Senior Guaranteed Perpetual Capital Notes issued by the Issuer, a wholly-owned subsidiary of the Guarantor, in the principal amount of U.S.$9,000,000 of which U.S.$5,000,000 was held by Tan Sri Dato' David CHIU and U.S.$4,000,000 was held by his spouse, Ms. Nancy CHIU NG. As at the date of this Offering Circular, Ms. Wing Kwan Winnie CHIU, the daughter of Tan Sri Dato' David CHIU, has an interest in the 7.375 per cent. U.S.$ Senior Guaranteed Perpetual Capital Notes issued by the Issuer, a wholly-owned subsidiary of the Guarantor, in the principal amount of U.S.$1,000,000. The Issuer does not have any employees and has no subsidiaries.

SHARE CAPITAL

As at the date of this Offering Circular, the total paid-up share capital of the Issuer was HK$1.00 divided into 1 share of HK$1.00 each.

DESCRIPTION OF THE GROUP

Introduction

The Group is based in Hong Kong and is primarily engaged in property development and investment, hotel operations and management, car park operations and facilities management and also gaming operations and management. As at 15 October 2020, the market capitalisation of the Guarantor, based on the closing price of HK$2.26 per share and 2,350,646,209 issued shares, was approximately HK$5.3 billion. The Group's property development and investment division stems on the execution of property development projects and investment in retail and commercial properties. The hotel operations and management division operates and manages hotels owned by the Group and those owned by third parties. The car park operations and facilities management division monitors a strong and diversified portfolio of car parks owned by the Group and those owned by third parties. The gaming operations and management division, an addition to the Group's business in 2018, operates and manages casinos owned by the Group. The majority of the Group's revenue is generated in Hong Kong, the PRC, Australia and New Zealand, Malaysia, Singapore, the UK and European Union.

For FY2020, the Group recorded revenue of HK$7,451 million, a 8.9 per cent. increase as compared to HK$6,842 million in FY2019. This growth was driven by higher sales recognition in residential developments which more than compensated for the decrease in the Group's recurring income businesses. For the same period, the Group launched five new projects, including The Star Residences – Epsilon in Gold Coast, Dorsett Place Waterfront Subang in Malaysia, Cuscaden Reserve in Singapore, Aspen at Consort Place in London and Queen's Wharf Residences (Tower 4) in Brisbane. The Group's cumulative contracted pre-sales as at 31 March 2020 amounted to HK$12.2 billion. Construction is ongoing for a number of new hotels including the extension of Dorsett Shepherds Bush and Ritz-Carlton Melbourne. The Ritz-Carlton in Perth opened in November 2019. Over the years, the Group built a solid development pipeline across its regional operations and the GDV reached approximately HK$51.6 billion including acquisitions made as at 31 March 2020. This pipeline, which is sufficient for eight to ten years, provides a clear visibility for revenue contribution in the coming years.

As at the date of this Offering Circular, the Guarantor had an authorised share capital of HK$400 million consisting of 4,000 million ordinary shares of HK$0.1 each and an issued and fully paid up share capital of approximately HK$235 million consisting of 2,350,646,209 ordinary shares of HK$0.1 each.

As at the date of this Offering Circular, the aggregate interests of Tan Sri Dato' David Chiu, the single largest shareholder of the Guarantor and other members of the Chiu family were approximately 58.55 per cent. of the issued Shares. Save as disclosed herein, the Guarantor is not aware of other individual shareholder which holds an interest of ten per cent. or more in the issued share capital of the Guarantor.

History

The Guarantor was incorporated in Hong Kong on 18 August 1972 under the name of "Far East Consortium Limited". It was listed on the Stock Exchange in September 1972 (HKSE Stock Code: 35) by a public offering of 5.5 million shares. The Guarantor was re-domiciled from Hong Kong to the Cayman Islands on 3 April 1990.

Property development has remained as the Group's core business for more than 45 years. During the period, the Group expanded its businesses to regions such as Australia and the UK and tapped into the gaming and entertainment industry in the Czech Republic and Australia. The Group also encompassed a strong and diversified portfolio of investment properties with total value of approximately HK$7.2 billion as at 31 March 2020.

In 1992, the Group began to diversify its business from property development to hotel operations and management through multiple acquisitions and subsequently began to develop its own hotel assets. Its hotel operations and management business has now become one of the Group' core business segments.

In 2009, the Group acquired certain car park operation businesses located in Australia and New Zealand. The steady growth of the car park operation businesses allowed the Group to further expand to car park facilities management services around the world.

In 2018, the Group acquired TWC, adding to its portfolio three casinos in the Czech Republic. In the same year, the Group also entered into a strategic alliance agreement with The Star, one of the two major casino operators in Australia and CTF.

The following table sets forth the contribution to revenue of the Group, from its principal business activities for FY2018, FY2019 and FY2020:

	For the year ended 31 March		
	2018	**2019**	**2020**
		(audited) **(HK$'000)**	
Revenue			
Property development	3,430,795	3,811,236	4,834,976
Property investment	65,673	64,090	66,121
Hotel operations and management	1,537,802	1,817,622	1,345,534
Car park operations and facilities management	666,380	720,458	759,782
Gaming operations	–	259,296[14]	271,223[14]
Securities and financial product investments	126,024	131,715	136,061
Provision of mortgage services	1,335	37,902	36,907
Other operations	3,118	–	–
Total revenue	5,831,127	6,842,319	7,450,604

The following table sets forth the Group's revenue by geographical markets for FY2018, FY2019 and FY2020:

	For the year ended 31 March		
	2018	**2019**	**2020**
		(audited) **(HK$'000)**	
Revenue			
Australia and New Zealand	1,955,696	1,341,925	2,184,870
Czech Republic	–	329,921	344,103
Hong Kong	950,369	2,343,485	1,853,114
Malaysia	631,706	256,576	224,945
PRC	2,004,371	1,028,730	499,532
Singapore	96,098	1,243,818	2,034,199
European Union (other than UK)	7,768	19,155	25,761
UK	185,119	278,709	284,080
Total revenue	5,831,127	6,842,319	7,450,604

14 After deduction of gaming tax amounting to HK$88 million and HK$89 million in FY2019 and FY2020 respectively.

The following is an analysis of the Group's revenue by operating segments for FY2018, FY2019 and FY2020:

	For the year ended 31 March		
	2018	2019	2020
		(audited) (HK$'000)	
Property development			
– Australia	1,310,716	572,064	1,368,695
– Hong Kong	–	1,323,178	1,195,573
– Malaysia	385,672	20,705	23,199
– PRC	1,733,112	743,670	294,960
– Singapore	–	1,150,194	1,951,357
– UK	1,295	1,425	1,192
Property investment			
– Australia	5,894	4,242	9,669
– Hong Kong	43,418	38,276	39,844
– PRC	16,361	21,572	16,608
Hotel operations and management			
– Australia	–	–	56,215
– Hong Kong	776,474	846,830	472,195
– Malaysia	237,786	227,375	189,979
– PRC	254,898	263,488	187,964
– Singapore	96,098	93,623	82,842
– European Union (other than UK)	–	133,057	121,448
– UK	172,546	253,249	234,891
Car park operations and facilities management			
– Australia and New Zealand	639,086	668,772	674,258
– European Union	19,046	43,190	73,757
– Malaysia	8,248	8,496	11,767
Gaming operations			
– Australia	–	62,432	48,568
– Czech Republic	–	196,864	222,655
Securities and financial product investments	126,024	131,715	136,061
Provision of mortgage services			
– Australia	–	34,415	27,466
– Hong Kong	1,335	3,487	9,441
Other operations	3,118	–	–
Segment revenue	5,831,127	6,842,319	7,450,604

Recent Developments

COVID-19 and Hong Kong social unrest

The Group's performance for FY2020 was affected by the social unrest in Hong Kong in 2019, the global outbreak of COVID-19 and resultant uncertainty in the global economy. While property development remains the core business of the Group, the Group's hotel, car park and gaming operations have suffered from poor market sentiment and a drastic drop of business travellers and leisure tourists. For more information, see the risk factor "*Outbreaks of highly contagious diseases, natural disasters or severe weather conditions could affect the Group's business operations*".

In response, the Group has taken the following cost control initiatives:

- reducing overheads of the hotel and gaming operations through standing down operating workforce as well as cutting fixed costs;
- reducing overheads in the car park operations including elimination and deferrals of expenses;
- deferral of payments and cancelling certain incentive payments; and
- streamlining operations including reducing workforce in certain operations.

The Group is expected to benefit from government incentives and compensation programmes, such as the Employment Support Scheme under the Anti-epidemic Fund in Hong Kong which provides a wage subsidy to eligible employers as well as tax deferral and incentives offered by the Singaporean and Australian governments. With the incentives offered, the Group expects to receive approximately HK$140 million, which will, to some extent, mitigate the financial impacts of COVID-19 in FY2021.

The Group is on schedule with the launch of its five development projects for FY2021, namely (i) Hyll on Holland in Singapore; (ii) Shatin Heights in Hong Kong; (iii) Bourke Street in Melbourne; (iv) New Cross Central in Manchester; and (v) Victoria Riverside in Manchester, with a total attributable GDV of HK$8.9 billion. An agreement has also been signed for the sale of the retail component of ARTRA for S$55.2 million, developed by a joint venture in which the Group has a 70 per cent. interest.

New lease in Wuhan

On 30 September 2020, the Group also entered into a new 18-year lease contract with Shanghai Really Sports Equipment Limited Company, a flagship sports goods retailer, for its Wuhan mall named "Hong Kong & Macao Center" located at the heart of downtown Wuhan on Jianghan Road. The 18-year lease commencing in October 2020 comprises seven floors with a total retail area of approximately 312,000 sq. ft. Yearly rental will amount to approximately HK$50 million, with a 8.0 per cent. step-up every three years.

Refinancing and repayment of construction loans

The Group continued to improve its capital structure through the repayment and refinancing of its loans. After FY2020, the Group fully repaid the construction loan of ARTRA in Singapore, which amounted to S$40 million as at 31 March 2020. The Group also repaid over AUD180 million of the construction loan for West Side Place (Tower 1 and 2) in Melbourne using sales proceeds accruing from the commencement of the handover process in August 2020. Furthermore, the Group successfully refinanced the HK$980 million short-term land acquisition loan with the HK$2.4 billion long-term construction loan for its Kai Tak development in Hong Kong.

Recovery of foreign exchange rates and The Star's share prices

At the end of March 2020, the Group's financials were weakened by the adverse foreign currency exchange rates against the Hong Kong Dollar. However, since the end of March, the foreign currency exchange rate against Hong Kong Dollar rebounded significantly. Coupled with the increase in the share price of The Star from AUD2.15 as at 31 March 2020 to AUD3.06 as at 30 September 2020, the net asset value of the Group is believed to have rebounded when compared with the same as at 31 March 2020. The table below sets forth the exchange rates of the Hong Kong Dollar against the local currency of countries where the Group has significant operations:

Rate as at	31 March 2020	30 September 2020	Change
HK$/AUD	4.78	5.53	15.7%
HK$/RMB	1.09	1.14	4.6%
HK$/MYR	1.79	1.86	3.9%
HK$/GBP	9.57	9.97	4.2%
HK$/SGD	5.44	5.67	4.2%

Recovery in the performance of the Group's hotel operations

The outbreak of COVID-19 has had a significant impact on the global travel industry and in turn, has adversely affected the Group's hotel operations. The Group took decisive and early actions to mitigate the impact across its portfolio, such as repositioning assets towards medical staff or staycations, furloughing staff, cutting costs and incentives and reviewing thoroughly all its expenses. These measures, combined with an improvement in the business environment, have led to a gradual improvement in OCC globally since June 2020, with its performance in Hong Kong, the main contributor to the Group's hotel operations, on par compared with the same with last year. Average room rates in general are also recovering from the impact of COVID-19. The tables below illustrates the recovery of the Group's OCC in Hong Kong and globally from April to September 2020.

Occupancy rate of Hong Kong hotel operations

Year/Month	April	May	June	July	August	September
2019	93.4%	91.8%	90.4%	89.4%	70.8%	59.4%
2020	61.7%	59.9%	70.1%	75.8%	70.7%	82.4%

Occupancy rate of global hotel operations

Year/Month	April	May	June	July	August	September
2020	41.1%	41.0%	44.7%	52.7%	58.8%	65.0%

In conjunction with the relaxation of outbreak-management restrictions in the Group's most affected geographies and the promotion of staycation packages to local residents, the Group's hotel operations have gradually improved to pre-COVID-19 levels and the Group expects the trend to continue with the spread of COVID-19 remaining under control in the geographies where the Group operates. The recovery of the Group's hotel operations is bolstered by partnerships with the governments in some markets within which it operates, such as Hong Kong and the UK, to provide accommodation for essential workers and quarantined persons.

Due to the recent deterioration of the COVID-19 situation in Europe, the Czech government has announced a temporary closure of services and outlets, including casinos, until 25 October 2020. As a result, the casinos owned by the Group in the Czech Republic are again temporarily closed after resuming operations for a short period since early June 2020.

As at the date of this Offering Circular, the People's Republic of China, Hong Kong and Singapore have continued to do well in the control of the spread of COVID-19 in their respective economies, with a significant decline in community spread of the virus. With business activities gradually resuming to pre-COVID-19 levels in these significant geographies, the Group expects its business and financial conditions to continue to stabilise in the current financial year.

Launch of safe deposit box business

The Group established a new team to focus on a new safe deposit box business, Far East Vault ("**FEV**"), with its first outlet starting operation in the third quarter of 2020 in Hong Kong with around 4,500 safe deposit boxes. Apart from the full 24-hour security provided, FEV introduces leading-edge intelligent security technologies to traditional vault services including facial recognition, palm vein scans and real-time QR codes, by combining physical and biometric identification.

Potential spin-off and separate listing of certain hospitality properties

The Group has announced the initiative to seek a potential separate listing of certain hospitality assets in Australia, Singapore, Malaysia and the UK (the "**Spin-off Plan**") to unlock the significant hidden value of its hotel portfolio and recycle capital in the form of a stapled trust group comprising a real estate investment trust and a business trust. The Group believes that the Spin-off Plan, if it proceeds, would among others: (i) create an asset management platform for the Group dedicated to hospitality assets, which would generate a new income stream to the Group, (ii) unlock and crystallise the value of the hospitality properties of the Group and allow the Group to recycle capital, and (iii) facilitate more active third-party hotel acquisitions using the spun-off entity.

Given the COVID-19 situation and market uncertainties, the Group is taking a careful approach towards the execution of the transaction and the timeline of the transaction will be dependent on business outlook.

Key Credit Strengths

High visibility of cash flow from property development business

During FY2020, the Group launched pre-sales for five major residential property development projects, namely (i) The Star Residences – Epsilon in Gold Coast; (ii) Dorsett Place Waterfront Subang in Malaysia; (iii) Cuscaden Reserve in Singapore; (iv) Aspen at Consort Place in London; and (v) Queen's Wharf Residential (Tower 4) in Brisbane. As at 31 March 2020, the Group achieved cumulative pre-sales of properties amounting to approximately HK$12.2 billion. The Group also expects to launch five development projects for FY2021, namely (i) Hyll on Holland in Singapore; (ii) Shatin Heights in Hong Kong; (iii) Bourke Street in Melbourne; (iv) New Cross Central in Manchester; and (v) Victoria Riverside in Manchester with a total attributable GDV of HK$8.9 billion as at 31 March 2020.

The land resources currently owned by the Group is sufficient for its development through the next decade. The Group strategically invests in different regions to minimise risks caused by real estate cycles. Regional diversification enables the Group to acquire land at lower costs when a particular market is heading downswing. In FY2020, the Group made a number of land acquisitions to replenish its land bank and to further add to its development pipeline, including a site at Bourke Street in Melbourne next to the Group's Upper Side and West Side Place projects and land comprising the Network Rail of Northern Gateway in Manchester. The Group also signed agreements to acquire Ensign House in Canary Wharf, London and signed a MOU with Sainsbury's to redevelop Sainsbury's site at Whitechapel Square in East London. The Group will continue to identify and invest in regions with strong population growth and property demand such as key cities in the UK and Australia as well as selected cities in Asia. Where recent years have seen stronger Hong Kong dollar against weaker pound and Australian dollar, the Group will take advantage of more favourable exchange rates to deploy capital in these regions. The Greater Bay Area in the PRC is also another region which the Group will explore given its growth potentials.

The Group is also actively looking to work with property owners for redevelopment opportunities, an example of which is the partnership with The Star. These land acquisition strategies have resulted in a relatively low land cost base for the Group's development projects. With current cumulative pre-sales and anticipated new projects in the pipeline, the Group anticipates clear revenue visibility and significant growth in relation to cash flow contribution from its property development business in the coming years.

Growing and recurring income streams from hotel operations and management, car park operations and facilities management, gaming operations and management

The Group enjoys a strong cash flow profile evidenced by its solid track record in its earnings before interest, tax, depreciation and amortisation ("**EBITDA**") and growing and recurring income streams from hotel operations and management, car park operations and facilities management and gaming operations and management. Stable recurring income base reduces the potential volatility in the Group's financial results whilst providing a liquidity buffer to mitigate the effect of market downturns and other adverse events on the Group's operations.

For the years ended 31 March 2018, 2019 and 2020, the Group's EBITDA[15] amounted to HK$2.7 billion, HK$3.2 billion and HK$1.9 billion and the Group's gross profit margin before depreciation and amortisation of hotel and car park assets (represented by dividing gross profit before depreciation and amortisation of hotel and car park assets by revenue) amounted to 51.0 per cent., 43.9 per cent. and 35.2[17] per cent. for the respective periods, evidencing its strong cash flow profile.

For FY2020, revenue and adjusted cash profit[16] of approximately HK$7,451 million and HK$842 million, respectively, were contributed by the Group's recurring income businesses, mainly its hotel operations, car park operations, gaming operations and property investment segments, representing 33 per cent. and 65 per cent. of the Group's revenue and adjusted cash profit, respectively. In addition, the integrated resort component of Queen's Wharf, Brisbane, which will be developed by the Group as part of the Destination Brisbane Consortium and is 25 per cent. owned by the Group, was granted a casino licence from the State of Queensland for a term of 99 years with a 25-year casino exclusivity period, giving the joint venture, among others, gaming tax rates consistent with current levels, 2,500 maximum approved electronic gaming machines and unrestricted gaming tables. This is further expected to provide a recurrent source of income to the Group and further diversify its revenue stream as it commences operations in FY2023. The Group's new safe deposit box business, which was launched in the third quarter of 2020, is expected to contribute to its recurring income stream starting from FY2021.

Diversified and balanced portfolio of businesses

The Group has a diversified and balanced portfolio of businesses which spans more than 36 cities in ten countries. It primarily engages in (a) property development and investment, (b) hotel operations and

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15 EBITDA for any period represents profit before tax, finance costs and depreciation and amortisation. EBITDA includes gains on disposals. EBITDA is not a measure of performance under HKFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included because the Group believe it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

16 Adjusted cash profit is calculated by adjusting the fair value changes in investment properties, depreciation and amortisation charges and the tax impact of fair value gain in investment properties from, net profit attributable to shareholders of the Company. The amount is adjusted for minority interests.

17 For the years ended 31 March 2020, the Group's gross profit before depreciation and amortisation of hotel and car park assets has excluded the depreciation of leased properties under HKFRS 16.

management, (c) car park operations and facilities management and (d) gaming operations and management, which contributed to 66 per cent., 18 per cent., ten per cent. and four per cent. of the Group's revenue for FY2020, respectively. In the third quarter of 2020, the Group added a new business segment in relation to the provision and management of safe deposit boxes, which is expected to contribute to the Group's recurring income stream starting from FY2021.

The Group holds interests in property development projects and has investments in retail and commercial buildings in the PRC, Hong Kong, Singapore and Australia and a diversified portfolio in residential property development in Australia, the PRC, Hong Kong, the UK, Malaysia and Singapore. As part of the Destination Brisbane Consortium, a joint venture among the Group, The Star and CTF, the Group is also developing an entertainment precinct and integrated resort development site with a residential development component in Queen's Wharf, Brisbane.

In FY2020, the Group added three new hotels contributors to its operations, namely the Ritz-Carlton in Perth, the J-Hotel by Dorsett in Kuala Lumpur and the Oakwood Premier AMTD Singapore in Singapore. As at 31 March 2020, the Group owned and operated 31 hotels, with a total of approximately 8,100 rooms primarily in Hong Kong, Malaysia, the PRC, Singapore, Australia, the UK and European Union and had 13 hotel projects under planning or construction.

The Group's car park management portfolio comprises self-owned car parks and third party-owned car parks primarily in Australia, New Zealand, Hungary, the UK and Malaysia. The balanced portfolio of businesses of the Group allows it to successfully diversify its revenue stream and capture the growth opportunities in each business without heavily depending on any particular project or any particular country and region.

The Group will continue to focus on developing future projects in the regions where it has presence. The diversified locations allows the Group to take advantage of the property cycle in different markets and reduce the overall effects of cyclical and geographical risks. As such, the Group has the flexibility to continue to search for attractive development opportunities to replenish its land bank going forward.

Substantial revaluation surplus can be unlocked via monetisable hotel assets

The Group has historically recorded its hotel assets at cost on its consolidated statement of financial position, resulting in the accumulation of a substantial hotel revaluation surplus[17] which amounted to HK$16.3 billion as at 31 March 2020. The Group has a proven capability of recycling its capital by selling hotels profitably and investing in new projects with the capital raised, thereby enabling the Group to generate higher financial returns for shareholders. For example, the Group achieved a gain in excess of HK$450 million from the sale of Dorsett Regency Hotel in Hong Kong at a consideration of HK$802 million in September 2012. In May 2017, the Group also sold Silka West Kowloon at a consideration of HK$453 million, realising a gain in excess of HK$320 million. The Group is continually evaluating options to monetise certain of its hotel assets in order to unlock value tied up in its hotel portfolio and will selectively source accretive opportunities in order to further improve the liquidity position of the Group.

As at 31 March 2020, the Group had 13 hotels under development. These hotels are located at prime locations in major cities. As these hotels are to be completed in the coming years, their value is expected to substantially increase, thereby further enhancing the revaluation surplus from the Group's hotel portfolio.

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[17] Hotel revaluation surplus excludes the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur, which are newly opened and valued at cost.

Solid financial position and prudent capital management

Another key strength of the Group is its solid financial position and prudent capital management strategy.

The Group's total cash and investment securities balance was approximately HK$6.1 billion and total assets (including revaluation surplus on hotel assets) were approximately HK$58.1 billion as at 31 March 2020. The net gearing ratio of the Group (representing net debt[18] of HK$17.4 billion as a percentage of total equity (adjusted for hotel revaluation surplus[19] of HK$16,348 million, which is not recognised on the balance sheet) was 56.7 per cent. as at 31 March 2020, compared to 45.4 per cent. as at 31 March 2019. Such rise in net gearing ratio was primarily due to capital expenditure for replenishment of development pipeline and new investments made during FY2020. The ratio of net debt to total assets of the Group was at a healthy level of 29.9 per cent. as at 31 March 2020. During FY2020, the Group successfully issued the U.S.$360 million perpetual capital notes for the first time. The Group will continue to adopt a prudent approach to capital management by maintaining its net gearing ratio at a healthy level. The Group also bought back approximately 50 million shares with a total consideration of approximately HK$170 million, which partially offset the scrip issued during FY2020 per its dividend reinvestment option scheme.

Due to the solid financial position maintained by the Group, the Group enjoys financial flexibility to cater to its operating activities as well as its existing and potential investment activities. The Group has a balanced debt profile which is supported by strong financing capabilities, with seven unencumbered hotel assets in the Group's portfolio as at 31 March 2020 with a capital value of HK$4 billion. The Group's loans are primarily denominated in currencies (including the Australian dollar, Renminbi, Hong Kong dollar, Singapore dollar, Sterling and Malaysian Ringgit) which match the currencies associated with potential revenues expected from the projects and investments for which such loans were taken out and hence enabling it to minimise the currency risks. The Group adopts a prudent approach to its property development business. The current pipeline maintained by the Group at relatively low land costs provides it with the flexibility to wait for optimal conditions to commence development or to sell properties, allowing it to maximise the price obtained on sales and to stagger its developments over property cycles.

As at 31 March 2020, the Group had undrawn credit lines totalling HK$6.0 billion. This provides significant capacity for the Group for potential business development.

In addition, the Group has diversified funding channels and financing capabilities for its funding needs, with a total liquidity position of HK$6.1 billion, comprising bank balances and cash[20] of HK$3.1 billion and investment securities of HK$3.0 billion, as at 31 March 2020. Historically, the Group has been able to borrow from banks and to tap into the equity and debt capital markets for financing. The Group has also developed longstanding relationships with several international banks, thereby enhancing its ability to secure financing in numerous markets. The Group will continue to selectively and prudently look to secure additional debt financing sources as and when appropriate, including loan facilities, corporate bonds and other debt financing arrangements, to support an ongoing business and funding needs.

Proven track record and backed by reputable major shareholders

Incorporated in Hong Kong on 18 August 1972 and listed on the Stock Exchange in September 1972, the Guarantor has a long history of more than 40 years of operation in Hong Kong. It commenced its business as a property developer in Hong Kong and then successfully ventured into the property development and

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18 Net debt represents total bank loans, notes and bonds less investment securities, bank and cash balances.

19 Hotel revaluation surplus excludes the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur, which are newly opened and valued at cost.

20 The amount represents total restricted bank deposits, deposit in a financial institution and bank balances and cash.

investment, hotel operations and management, car park operations and facilities management and also gaming operations and management businesses in Hong Kong, the PRC, Australia, Singapore, Malaysia, New Zealand, the UK and European Union. The Group is a leading property conglomerate in the Asia-Pacific region. The Group has also consistently demonstrated its ability to create significant value for the Group's stakeholders and its ability in weathering downturns in the property and economic cycles.

The largest shareholder of the Guarantor is the reputable Chiu family, which owned approximately 58.55 per cent. of the issued share capital of the Guarantor as at the date of this Offering Circular. Headed by Tan Sri Dato' David Chiu, the Chiu family has a long history of business success in a wide range of industries, including hospitality, property development and entertainment.

Dedicated and experienced senior management team

The Group has a dedicated and experienced senior management team which has a proven track record of success in property development and hotel operations. Members of the Group's senior management team have an average of over 15 years of experience in the property and hotel markets and have a detailed understanding of the property and hotel markets in the regions where the Group has a business presence. Tan Sri Dato' David Chiu, Chairman and Chief Executive Officer of the Guarantor, has over 30 years of experience in property development and also has extensive experience in hotel development. Mr Cheong Thard Hoong, Managing Director, has now been with the Group for over ten years and has shaped the Group's direction of development over the years. Mr Craig Grenfell Williams, Executive Director of the Guarantor, has over 40 years of experience in property development and was a director of all development companies of the Lend Lease Group, Australia's largest property developer, before he joined the Guarantor. The in-depth market knowledge of the management team of the Group means that it is able to identify market trends and formulate strategies which are in the best interests of the Group.

See "*Directors and Management*" for further details on the Group's management team.

Strategy

The Group's business strategy is to focus on its core businesses to enhance profitability and optimise returns to its shareholders. The Group intends to implement the following business strategies in its different business segments:

Property development and investment division

The Group intends to increase its asset turnover rate. For FY2020, the Group had launched five pre-sales of properties and had 12 property projects in the pipeline. The Group also intends to explore opportunities to provide affordable upscale living for the growing affluent middle class in Asia. Where different regions have different property cycles, the Group would continue to seek attractive opportunities in the right markets in order to grow its business long run. The Group will seek to partner with local operators to jointly develop their sites for regeneration or repurposing to improve utilisation of land resources. To finance its development projects, the Group will diversify its large-scale development portfolio by adding new land banks through selective opportunistic replenishment. The Group will streamline its investment property portfolio to focus on larger assets for better efficiency and continue to dispose of its assets.

Hotel operations and management division

The Group will continue to promote its hospitality brand in order to facilitate its expansion into the hotel operations and management business in various markets. The Group will redeploy capital by disposing of hotels that are not profitable and applying the proceeds in new projects. The Group will also extend the "Chinese Wallet" strategy to the "Asian Wallet" strategy by targeting middle class customers from Asia for the growing outbound tourism market and for the increasing appetite in international property investment business.

Car park operations and facilities management division

The Group intends to deepen the influence of its "Care Park" brand in regions where the Group has an existing presence. The Group will continue to look for acquisition opportunities and expand third party facilities management operations.

Gaming operations and management division

Where this division is a recent addition to the Group's business portfolio, the Group plans to strengthen relationship with existing strategic allies while exploring growth opportunities.

Business

The principal activities of the Group comprise property development and investment, hotel operations and management, car park operations and facilities management, securities and financial product investments and gaming operations.

Property Development

The Group is engaged in the development of residential properties primarily in Hong Kong, the PRC, Singapore, Malaysia, Australia and the UK. For FY2018, FY2019 and FY2020, revenues from property development amounted to HK$3.4 billion, HK$3.8 billion and HK$4.8 billion, respectively, or approximately 58.8 per cent., 55.7 per cent. and 64.9 per cent. of the Group's total revenues for the respective periods.

Development of the Group's properties usually entails four phases: land acquisition, land development, project construction and marketing.

The Group oversees and largely performs the acquisition and marketing aspects of its development operations, including the selection and purchase of sites, the obtaining of government approvals for zoning and modifications and the marketing, sales, leasing and management of completed projects. The Group engages independent third party contractors to provide various land development and construction services, including piling and foundation, construction, property fitting-out work and interior decoration who works directly with the internal engineering and design teams on all projects. The Group's projects are usually undertaken by independent contractors selected by way of open tender.

The Group's property development business is focused on mass market mid- to high-rise residential developments and mixed-use residential and hotel developments.

During FY2020, the Group launched pre-sales for five major residential property development projects, namely (i) The Star Residences – Epsilon in Gold Coast; (ii) Dorsett Place Waterfront Subang in Malaysia; (iii) Cuscaden Reserve in Singapore; (iv) Aspen at Consort Place in London; and (v) Queen's Wharf Residential (Tower 4) in Brisbane. As at 31 March 2020, the Group achieved cumulative pre-sales of properties amounting to approximately HK$12.2 billion. The Group also expects to launch five development projects for FY2021, namely (i) Hyll on Holland in Singapore; (ii) Shatin Heights in Hong Kong; (iii) Bourke Street in Melbourne; (iv) New Cross Central in Manchester; and (v) Victoria Riverside in Manchester with a total attributable GDV of HK$8.9 billion as at 31 March 2020.

In February 2020, the Group signed a MOU with UK retailer Sainsbury's to redevelop the site of a Sainsbury's existing store in Whitechapel, East London. The proposal incorporates a new flagship Sainsbury's supermarket, a significant number of residential units, retail space for local businesses and landscaped public space intended to improve the area for the local community.

In addition to the above, the Group has also entered into a MOU with the partners of Destination Brisbane Consortium to develop The Star's casino site in Sydney and three more towers in Gold Coast, which will further contribute to the residential pipeline of the Group upon receiving the planning approval and signing of a definitive agreement.

The following are some of the major development projects which are being developed by the Group as at 31 March 2020:

Australia

West Side Place, Melbourne – a mixed-use residential development located in the CBD of Melbourne. This development comprises approximately 3,000 apartments spreading over four towers with a total saleable floor area of approximately 2.2 million sq. ft. and a total GDV of HK$9.3 billion. The development consists of two hotels, including one under the Group's Dorsett brand with approximately 300 hotel rooms located in Tower 3 and another hotel to be operated by Ritz-Carlton with approximately 250 hotel rooms located at the top of Tower 1. All four towers have launched pre-sales. Towers 1 and 2 are expected to be completed in FY2021 and are slated for handover in FY2021 in phases. Tower 3 comprises 684 apartments with a total saleable floor area of approximately 518,000 sq. ft. and a total expected GDV of HK$2.2 billion. HK$2.0 billion worth of units were pre-sold as at 31 March 2020 and the project is expected to be completed in FY2023. With the strong pre-sales recorded for this development, the Group expects to receive significant cashflow and earnings in the coming few years.

Bourke Street, Melbourne – Following the successful launch of the various stages of West Side Place, the Group has replenished its pipeline in Melbourne by securing a development site on 640 Bourke Street, which is in Melbourne CBD near the West Side Place development. The property has been approved to be redeveloped into a residential project with total saleable floor area of approximately 590,000 sq. ft. and is expected to provide approximately 857 residential units. Pre-sales of this development is expected to be launched in FY2021, with completion of the development expected in FY2025.

The Towers at Elizabeth Quay, Perth – a two-tower mixed-use flagship development project which consists of approximately 371,000 sq. ft. in saleable floor area of residential apartments, a luxury Ritz-Carlton of 205 rooms opened in November 2019 and some commercial and retail space as well as other ancillary facilities of approximately 15,000 sq. ft. In FY2020, 224 apartments were sold and a recognised value of HK$1.4 billion was realised. As at 31 March 2020, the expected GDV of the remaining apartments available for sales was HK$647 million.

Perth Hub, Perth – a major project being undertaken by the Western Australian Government to reconnect the Perth CBD and the entertainment district. Perth Hub is the first phase of the Perth City Link project. It is a mixed-use development adjacent to the Perth Arena representing Lots 2 and 3A of the Perth City Link project, featuring 314 residential apartments and approximately 260 hotel rooms to be operated by Dorsett. It was launched for pre-sales in October 2018, with GDV of HK$351 million as at 31 March 2020. Completion of the development is expected in FY2022.

Having been selected as the preferred proponent to develop Lots 3B, 6 and 7 of the Perth City Link project in May 2017, which is a continuation of the development stemming from Perth Hub, the Group has secured these land plots during FY2019. These three lots are planned for a range of boutique apartments and an integrated retail, entertainment, commercial and hospitality complex. This project is currently under planning.

The Destination Brisbane Consortium – a joint venture between the Group, The Star and CTF, entered into development agreements with the State of Queensland, Australia for the delivery of the QWB Project. The QWB Project comprises:

(1) an integrated resort component in which the Group's ownership is 25 per cent. (CTF owns 25 per cent. and The Star owns 50 per cent.) with an equity investment amount of more than AUD300 million. Payments are made progressively commencing from signing of the QWB Project documents up to completion of the QWB Project which is expected by the end of FY2023; and

(2) the residential component owned in the proportion of 50 per cent. by the Group and 50 per cent. by CTF.

Together with the Group's portion of land premium for this residential component, the total capital commitment of the Group is expected to be approximately AUD300 million, which the Group has so far funded from its internal resources. The QWB Project encompasses a total area of approximately 9.4 hectares at Queen's Wharf, Brisbane and envisages three residential towers, three world-class hotels, high-end food and commercial outlets and a casino in Brisbane's prime waterfront district. The total core development GFA of the QWB Project is expected to be 387,000 sq. m., of which approximately 147,000 sq. m. relates to the residential component.

During FY2020, the Group launched pre-sales of Queen's Wharf Residences (Tower 4). Tower 4 is the only residential tower directly connected to the integrated resort development, featuring 667 residential apartments with a total saleable floor area of approximately 506,000 sq. ft. and a GDV of HK$2.8 billion. Launched in February 2020, the project received a strong response with GDV of HK$2.0 billion already pre-sold as at 31 March 2020. Completion of the development is expected in FY2024.

The QWB Project brings together the Group's experience in international hospitality operation and mixed-use development, CTF's extensive VIP customer base in the PRC and Asian markets, as well as The Star's operational experience in integrated resorts. The QWB Project is expected to contribute significantly to the Group's recurring cash flow stream as well as to add to its residential development pipeline.

The construction of the QWB Project is on time and budget with demolition and enabling works has been completed and basement construction and superstructure are underway. Furthermore, the Group has recently secured a construction facility of AUD1.6 billion.

The Star Residences, Gold Coast – a mixed-use development featuring five towers in the heart of Gold Coast's world-class integrated resort on Broadbeach Island. The project is an extension of the partnership between the Group, The Star and CTF in Gold Coast, in which the Group has a 33.3 per cent. interest.

The first tower of the development will feature a 316-room Dorsett hotel and 423 residential apartments with total saleable floor area of 295,000 sq. ft. and a GDV of HK$1.3 billion. Total pre-sold value of HK$1.1 billion was recorded as at 31 March 2020 and the completion of the first tower of the development is expected to take place in FY2023.

Following the launch of the first tower, planning approval has been granted for the other four towers of the development. Epsilon, which is the second tower of the development, will feature a 200-room five-star hotel and 457 residential apartments with total saleable floor area of approximately 327,000 sq. ft. and a GDV of HK$1.5 billion. Pre-sales of the residential component was launched with positive responses in May 2019, with a total pre-sold value of HK$806 million as at 31 March 2020. Completion of the development is expected in FY2024.

In addition, the strategic alliance agreement that was entered into with The Star and CTF in March 2018 stipulated that the parties will join forces on the delivery of certain nominated developments including the potential redevelopment of The Spit Precinct in Gold Coast. The realisation of these potential developments will undoubtedly add to the Group's development pipeline in the city and will benefit the Group through its investment in The Star.

Sydney – The Group has agreed to partner with The Star and CTF to co-develop a mixed-use tower located at the existing site where The Star operates its casino in Sydney. The project is currently under planning and discussions with the local authorities to obtain approvals are ongoing. The parties also agreed that there are certain nominated developments in which the parties will work together to bring forward the planning and delivery, including the potential re-development of a site in the Pyrmont Precinct in Sydney.

The People's Republic of China

California Garden, Shanghai – a premier township development in Shanghai comprising a diversified portfolio of residences including low-rise apartments, high-rise apartments and townhouses. The two phases of the development, namely King's Manor and Royal Crest II, continued to make a contribution to the Group's revenue and profit with HK$71 million of GDV delivered in FY2020.

Royal Riverside, Guangzhou – a 5-tower residential development comprising 607 apartments situated at the riverside with a large portion of greenery and designed in modern art deco style. The entire development has been completed with 400 apartments already sold and delivered for approximately HK$1.4 billion of GDV as at 31 March 2020. In FY2020, 45 apartments were sold for a recognised value of HK$185 million. The project is expected to contribute to the Group's performance in FY2021.

Hong Kong

The Group has built its development pipeline in Hong Kong over the years through acquisition of redevelopment sites, participating in government tender and bidding for projects with the Hong Kong Urban Renewal Authority ("**URA**").

Astoria Crest – a residential development site at Hai Tan Street, Sham Shui Po, which was acquired by the Group through URA. This residential development comprises 72 apartments (mainly one-bedroom apartments) with approximately 20,000 sq. ft. in saleable floor area. All units were sold and delivered to buyers in FY2020.

The Garrison – a residential development site at Mei Tin Road, Tai Wai, which the Group acquired through a government tender. This development comprises 118 residential units totalling approximately 29,000 sq. ft. in saleable floor area and a GDV of HK$674 million with a commercial component of approximately 5,600 sq. ft. in GFA. Completed in FY2020, the project was virtually sold out and handed-over to buyers as at 31 March 2020, representing 95 per cent. of total GDV. The remaining units will be sold on the as completed basis.

Manor Parc – a residential development site at Tan Kwai Tsuen consisting of 24 town houses with approximately 50,000 sq. ft. in saleable floor area and a GDV of HK$641 million. All remaining units are to be sold on a completed basis.

Marin Point – a residential development site at Sha Tau Kok which the Group acquired through a government tender. This development comprises 261 low-rise apartments with approximately 103,000 sq. ft. in saleable floor area and 7,923 sq. ft. of commercial component. The development was launched for pre-sales during FY2018 with GDV of about HK$96 million having been sold and delivered in FY2020. The remaining units will be sold on a completed basis.

Shatin Heights – a residential development site, acquired through government tender, which will comprise more than 62 apartments and four houses. The project has a saleable floor area of approximately 84,000 sq. ft. and a GDV of HK$1.7 billion and is currently under construction. Pre-sales of the development is expected to be launched in FY2021.

UK

Hornsey Town Hall, London – a mixed-use redevelopment project located in North London, which involves the conversion of an existing townhall into a hotel/serviced apartment tower and a town hall with communal areas, as well as a residential component which will provide 135 apartments with a saleable floor area of approximately 108,000 sq. ft. This development also has a commercial component of 45,050 sq. ft. Pre-sales for the residential component of this development was launched during FY2019 with GDV of about HK$198 million pre-sold, as at 31 March 2020. Completion of the development is expected in FY2022.

Aspen at Consort Place, London – a mixed-use development site at Marsh Wall, Canary Wharf, London, which was granted planning approval for a complex featuring private residences of approximately 390,000 sq. ft. in saleable floor area, consisting of approximately 495 residential units, a hotel of approximately 230 rooms and commercial space. The pre-sales of the residential component of this development was launched with positive responses in late January 2020 and amounted to HK$604 million as at 31 March 2020. The completion of the development is expected in FY2024.

Ensign House, London – the Group continued to grow its business footprint and strengthen its development presence in the UK. In February 2020, an agreement was executed for the acquisition of Ensign House in Canary Wharf, London, which is adjacent to Aspen at Consort Place. The 6,712 sq. ft. site currently comprises an office building with a surface car park, which will be demolished and replaced with a residential led mixed-use development. The project is still under planning.

Whitechapel, London – a mixed-use development site in East London featuring a significant number of residential units, retail space for local businesses and landscaped public space intended to improve the area for the local community.

MeadowSide, Manchester – a residential development site in Manchester at NOMA which is one of the major residential growth areas of the city and is sitting on the doorstep of the Group's Northern Gateway development. The development will feature four towers comprising more than 756 apartments with approximately 557,000 sq. ft. of saleable floor area around the historic Angel Meadow park near Victoria Station which is one of the transportation hubs of the city. Three plots are currently under pre-sales. Plots 2 and 3 had a total saleable area of 220,000 sq. ft. and GDV of HK$885 million. Presale has been launched and GDV of HK$389 million had been pre-sold as at 31 March 2020. Pre-sales of Plot 5 of the development with a total saleable area of 99,000 sq. ft. and GDV of HK$383 million was also launched in March 2019 and GDV of HK$129 million had pre-sold as at 31 March 2020. Construction work is underway; Plots 2 and 3 are scheduled for completion by FY2022 and Plot 5 is scheduled for completion by FY2021.

Northern Gateway, Manchester – a mega-sized development project in Manchester which spans across an area of more than 390 acres (equivalent to 17 million sq. ft.), sweeping north from Victoria Station and taking in the neighbourhoods of New Cross, the Lower Irk Valley and Collyhurst. This project is expected to deliver in excess of 15,000 new homes over the next decade, allowing the city centre to expand and providing the optimal mix of high-quality housing. The vision of this project is to create a series of distinct yet clearly connected communities that make the most of the area's natural resources.

The strategic regeneration framework ("**SRF**") of the Northern Gateway development was approved by the Manchester City Council ("**MCC**") in February 2019. The SRF provides an illustrative masterplan in order to guide development proposals within Northern Gateway. It will be used to guide and co-ordinate development brought forward by the joint venture formed between the Group and MCC, to deliver a series of vibrant, sustainable and integrated residential neighbourhoods within the extended city centre of Manchester.

Since the entering into of the development agreement with MCC in April 2017, the Group has acquired various land plots within the Northern Gateway area which will be developed into individual projects as the overall masterplan pans out.

The Northern Gateway project is expected to provide the Group with a significant and long-term pipeline within the UK. In July 2019, the Group further acquired 20 acres of land from Network Rail in central Manchester to facilitate its delivery of the Northern Gateway and expected to offer over 1,500 new homes including the first elements of the River City Park at St Catherine's Wood, which will link Angel Meadow to the north of Manchester. As at 31 March 2020, the Group has already secured several land plots within the Northern Gateway area, which provide a pipeline with saleable floor area of more than three million sq. ft. The Group expects to deliver approximately 4,500 new homes over the next five to ten years.

New Cross Central is one of the initial sites acquired from MCC as part of the development agreement for Northern Gateway. The development is located within New Cross at the northern edge of the Manchester city centre. The site, which is currently used as a surface car park, is to be developed into an 80-apartment residential scheme with saleable floor area of approximately 62,000 sq. ft. and a GDV of HK$241 million. During FY2020, the Group received planning approvals and started pre-marketing the project. Pre-sales for this development started in April 2020.

Victoria Riverside is located within the Northern Gateway masterplan area near major transport links including Victoria railway station and Manchester city centre. It is a key gateway into the Northern Gateway masterplan area, expanding the city centre northwards from MeadowSide. It will be predominately a residential development incorporating high-quality public realm, commercial and leisure uses and a landmark building. The development features three towers comprising more than 612 units with approximately 396,000 sq. ft. of saleable floor area. Pre-sales of the development is expected to be launched in FY2021.

Singapore

ARTRA – a residential project located next to the Redhill MRT station in Singapore with approximately 409,000 sq. ft. in saleable floor area and is owned by a joint venture in which the Group has a 70 per cent. interest. Pre-sales of the development was launched in FY2018. Revenue has been recognised according to the progress of the development. As at 31 March 2020, attributable unbooked pre-sales amounted to HK$366 million. Completion of the project is expected in FY2021.

Hyll on Holland – the two adjacent sites are expected to be amalgamated and redeveloped into a residential development with a saleable floor area (residential) attributable to the Group of approximately 192,000 sq. ft. and total saleable floor area of approximately 240,000 sq. ft., in which the Group has a 80 per cent. interest. Pre-sales of the development is expected to be launched in FY2021 with completion of the development expected in FY2023.

Cuscaden Reserve – a residential development site at the prime District 9 of Singapore. The development is expected to comprise approximately 19,000 sq. ft. in attributable saleable floor area. The Group has a ten per cent. interest in the joint venture which is undertaking the development. Pre-sales of the development was launched in FY2020, with completion of the development expected in FY2023.

Malaysia

Dorsett Bukit Bintang – a residential development site adjacent to the Group's Dorsett Kuala Lumpur which consists of 252 high-rise apartments with approximately 215,000 sq. ft. in saleable floor area. The development was completed during FY2018 with a number of the remaining units converted into serviced apartments managed by the Group's hotel team. The rest is to be sold on a completed basis.

Dorsett Place Waterfront Subang – a joint development between the Group and Malaysia Land Properties Sdn. Bhd. ("**Mayland**"). The Group has a 50 per cent. interest in this development, which is situated in close proximity of the Group's renowned 5-star hotel, Dorsett Grand Subang. Consisting of three blocks, the development will offer 1,989 fully-serviced suites. Pre-sales of the development was launched in September 2019 and GDV of HK$144 million had been pre-sold as at 31 March 2020. Completion of the development is expected in FY2024.

Property Investment

The investment property portfolio of the Group mainly comprises retail and commercial buildings located in the PRC, Hong Kong, Australia and Singapore. In FY2020, impacted by the uncertain economic environment and weak market conditions across the globe, a fair value loss on investment properties of approximately HK$21 million was recognised. As at 31 March 2020, the value of investment property was approximately HK$7.2 billion.

The Group acquired a site at Baoshan District in Shanghai, which is adjacent to another parcel of land acquired in early 2019, and intended to develop them together into a few blocks of residential units for recurring rental income. In addition, the Group acquired a commercial plot in Kai Tak, Hong Kong. Apart from the flagship Dorsett hotel, the Group intends to develop some office and retail space with a GFA of approximately 196,000 sq. ft.

The usual lease terms for the Group's investment properties are typically of a one to three-year fixed period that may or may not carry an option to renew the lease for a further term of two or three years. The rental income from the investment property portfolio is expected to continue to provide a stable and recurrent income base for the Group.

In accordance with HKFRSs, the Group values its investment properties annually in its consolidated statement of financial position at their open market value on the basis of an independent professional valuation. Any gains or losses arising from the change in the fair value are included in profit or loss for the period in which they arise.

The Group's rents are generally quoted in sq. ft. per lettable area. In most cases, the rents quoted by the Group do not include property management charges and rates payable by its tenants.

The following table sets forth the Group's current major property development and investment properties (excluding hotel properties) as at 31 March 2020:

	Name of property and location	Group interest	Approximate GFA	Purpose[(1)]
		(per cent.)	(m^2)	
Shanghai				
1	133 units of shoplots in Jinqiu Xintiandi, Lane 809, Jinqiu Road, Baoshan District	98.2	23,446	S
2	Jinqiu School, Club House, Kindergarten and Ancillary portion of Area 17I, California Garden, Jinqiu Road, Baoshan District	98.2	21,943	F
3	323 car parking bays, California Golden, Jinqiu Road, Baoshan District	98.2	13,490	CP
4	King's Manor, Area 16, California Garden, Jinqiu Road, Baoshan District	98.2	4,041	R
5	The Royal Crest II, Area 17 II, California Garden, Jinqiu Road, Baoshan District	98.2	4,766	R
6	Area 17A, California Garden, Jinqiu Road, Baoshan District	98.2	1,667	R
7	Land parcel no. E1B-01, Lot 47/6 Block 3, Qilian Town, Baoshan District	98.2	53,301	R
8	Land parcel no. E2A-01, Lot 93/8, Block 3, Qilian Town, Baoshan District	98.2	73,013	R
Guangzhou				
1	New Time Plaza, Jian She Heng Road, Yue Xiu District	50	20,722	R
2	Gan Tang Yuan, Huadidadao East, Li Wan District . . .	100	41,700	R
3	Royal Riverside, 10 Miaoqianjie North, Chajiao, Li Wan District	100	21,979	R&S
4	455 car parking bays, 10 Miaoqianjie North, Chajiao, Li Wan District	100	5,948	CP

	Name of property and location	Group interest	Approximate GFA	Purpose[1]
		(per cent.)	(m^2)	
Hong Kong				
1	Star Ruby, Ground and 1st Floors, No. 1 San Wai Street, Hung Hom	100	1,362	R&S
2	16th, 18th, 19th, 20th and 24th Floors, (including lavatories on 16th, 18th, 19th, 20th and 24th Floors, Flat Roof on 24th Floor), Far East Consortium Building, 121 Des Voeux Road Central	100	2,474	O
3	Far East Consortium Building, 204–206 Nathan Road, Tsim Sha Tsui	100	3,597	S&O
4	Fung Lok Wai, Yuen Long	25.33	–	R
5	Various shops on LG/F and UG/F, Tsuen Wan Gardens Phase 1, 15-23 Castle Peak Road, Tsuen Wan	100	3,822	S
6	Route TWISK, Chuen Lung, Tsuen Wan	100	5,400	R
7	Manor Parc, No. 3 Tan Kwai Tsuen Lane, Yuen Long	100	4,651	R
8	Various lots, Pak Kong, Sai Kung	100	–	A
9	Yau Kam Tau, Tsuen Wan	100	–	A
10	Basement to 5th Floor, Nos. 135–143, Castle Peak Road, Tsuen Wan	100	3,469	S&O
11	Aspen Crest, Nos. 68-86A Wan Fung Street, Wong Tai Sin, Kowloon	100	923	S
12	The Garrison, Mei Tin Road, Tai Wai, Shatin, New Territories	100	386	S&R
13	Marin Point, No. 31 Shun Lung Street, Sha Tau Kok, New Territories	100	7,313	S&R
14	Astoria Crest, No.229/231 Hai Tan Street, Sham Shui Po, Kowloon[2]	100	2,244	S&R
15	Shatin Heights, Sha Tin, New Territories	100	7,760	R
16	Bakerview, 66 Baker Street, Hung Hom, Kowloon	100	578	S
17	Kai Tak Commercial Plot, Shing Kai Road, Kai Tak, New Kowloon Inland Lot No.6607	100	16,585	O&S
Australia				
1	The FIFTH, 605–611 Lonsdale Street, Melbourne, Victoria	100	290	S
2	The Towers at Elizabeth Quay, Edge of CBD and Swan River along the Eastern Promenade on Barrack Street, Perth, Western Australia	100	10,528	R&S
3	West Side Place, 244–276 Spencer Street, Melbourne, Victoria	100	213,626	R&S
4	Perth Hub, Lot 2 and Lot 3A, Wellington Street and Milligan Street, Perth, Western Australia	100	22,027	R&S
5	Queen's Wharf, Brisbane, Queensland		148,023	
	Tower 4	50		R&S
	Tower 5	50		R&S
	Tower 6	50		R&S

	Name of property and location	Group interest	Approximate GFA	Purpose[1]
		(per cent.)	(m^2)	
6	The Star Residences Casino Drive, Broadbeach Island Gold Coast, Queensland		166,652	
	Tower 1	33.3		R&S
	Tower 2- Epsilon	33.3		R&S
	Towers 3 to 5	33.3		R&S
7	640 Bourke Street, Melbourne	100	55,442	R&S
8	Rebecca Walk, Flinders Street, Melbourne, Victoria	100	809	S
9	Upper West Side, 313–349 Lonsdale Street, Melbourne, Victoria	100	2,718	S
10	Northbank, Flinders Street, Melbourne, Victoria	100	846	S
Malaysia				
1	Mukim of Kerling, District of Hulu Selangor, Selangor, Darul Ehsan	90	422,907[3]	A
2	Dorsett Bukit Bintang, Lot 470, Jalan Imbi, Kuala Lumpur	100	2,361	R
3	Dorsett Plant Waterfront Subang	50	97,575	R
Singapore				
1	ARTRA, 10/12 Alexandra View, Singapore	70	39,962	S&R
2	Hyll on Holland, District 10, Singapore	80	22,354	R
3	Cuscaden Road, District 9, Singapore	10	17,625	R
4	21 Anderson Road, District 10, Singapore	100	7,948	R
UK				
1	Aspen at Consort Place, 63–69 Manilla Street & 50 Marsh Wall, London	100	36,219	R&S
2	Hornsey Town Hall, the Broad Way, Couch End, London	100	10,026	R&O
3	MeadowSide, Angel Meadows, Aspin Lane, Manchester	100	51,784	S&R
4	Northern Gateway, Manchester			
	– New Cross Central	100	5,731	R
	– Victoria Riverside	100	36,801	R
	– Network Rail	100	142,328	Planning
	– Others	100	111,655	Planning
5	Ensign House, Admirals Way, Isle of Dogs, London	100	38,285	R&O

Notes:

(1) O – Office
CP – Car Park
S – Shops
R – Residential
F – Ancillary Facilities
A – Agricultural

(2) A development project of the Hong Kong URA, of which the Issuer has the development right.

(3) This represents site area.

Hotel Operations and Management

The Group diversified into the hotel operations business in Hong Kong in 2000 by acquiring two three-star hotels, namely, the Dorsett Garden Hotel and Dorsett Seaview Hotel. Dorsett Group, which manages the hotel operations and management division of the Group, has grown to become a hotel developer and operator with approximately 8,100 rooms in operation as at 31 March 2020. In April 2018, the Group completed the acquisition of TWC, which owns and operates two four-star hotels and one three-star hotel in Germany, one four-star hotel in Austria and one four-star hotel in the Czech Republic. In FY2020, the Group added three new hotels into its operations including: the Ritz-Carlton in Perth, the J-Hotel by Dorsett in Kuala Lumpur and the Oakwood Premier AMTD Singapore in Singapore (49 per cent. ownership). These hotels are expected to further diversify the Group's hotel portfolio and strengthen its recurring income stream. Yet the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur were still ramping up during FY2020 and incurred approximately HK$44 million operating loss from their inception to 31 March 2020.

As at 31 March 2020, the Group had 31 hotels with approximately 8,100 rooms in operations and 13 hotels with 3,250 rooms in the development pipeline. The 31 operating hotels spread over Hong Kong, Mainland China, Singapore, Malaysia, Australia, the UK and European Union. Construction of a number of new hotels including Dorsett Shepherds Bush extension in London and the Ritz-Carlton in Melbourne is well underway. Moreover, the Group also manages three other hotels in Malaysia with approximately 830 rooms.

The Group has a proven capability of recycling its capital by monetising hotels profitably and investing in new projects with the capital raised in order to generate higher financial returns and strategic value for shareholders. The Group is continually evaluating options to monetise certain of its non-core hotel assets in order to unlock value tied up in its hotel portfolio and will selectively source accretive opportunities in order to further improve the liquidity position of the Group.

In FY2020, the Group successfully won the tender of the commercial land at Shing Kai Road adjoining Kai Tak Sports Park in Kai Tak with a total GFA up to 344,000 sq. ft. The Group is planning to develop a flagship Dorsett brand hotel with commercial and retail space on the site. Completion of the development is expected in FY2024.

The Group continues to evaluate potential opportunities to unlock the hidden values of its hotel assets. In November 2019, the Group announced the Spin-off Plan. In light of the current market condition, the Group has slowed down the execution of the plan to wait for the market outlook to improve.

The hotel operations were particularly affected by the political events in Hong Kong, the China-US trade tensions and the spread of COVID-19. Strained by the global COVID-19 pandemic, countries and cities around the world have imposed severe travel restrictions on both business and leisure travellers, which resulted in a significant decrease in total hotel revenue. To mitigate the negative impact of COVID-19, the Group made significant effort to implement cost control measures and modify its marketing strategy by focusing on several key areas:

- finding and creating new business opportunities;
- deferring and reducing bank loan interest and principal payments;
- negotiating with business vendors for reduction of payments and flexible payment terms; and
- implementing internal cost savings plans to improve operational efficiencies.

Furthermore, various governments have implemented support schemes for the hospitality industry, including employee wage subsidies/credits and reduction/waiver of government rate and rent or property taxes. Some utility companies, suppliers and banks have also offered deferral and/or reduction of payments which have helped the Group to manage its cash flow and liquidity.

For FY2018, FY2019 and FY2020, revenues from the hotel operations and management division amounted to HK$1,538 million, HK$1,818 million and HK$1,346 million, respectively, or approximately 26.4 per cent., 26.6 per cent. and 18.1 per cent. of the Group's total revenues for the respective periods.

The occupancy rate of the Group's owned hotels is as follows:

	For the year ended 31 March		
	2018	**2019**	**2020**
		(per cent.)	
Region			
Hong Kong	93.8	95.3	70.8
Malaysia	73.9	74.7	65.6
PRC	68.4	72.6	55.7
Singapore	86.1	82.0	76.0
UK	82.9	82.3	74.3
Australia	–	–	61.0
Dorsett Group Total	82.8	84.2	67.0
TWC Hotel Group	–	57.1(1)	58.8

Note:

(1) The amount represents results of TWC for the period from 1 May 2018 to 31 March 2019.

The average room rate (total room revenue divided by number of paid and occupied rooms for the year) of the Group's owned hotels is as follows:

	For the year ended 31 March		
	2018	**2019**	**2020**
Region			
Hong Kong (HK$)	739	802	578
Malaysia (MYR)	193	194	197
PRC (RMB)	408	398	389
Singapore (SGD)	174	173	174
UK (GBP)	106	118	129
Australia (AUD)	–	–	354
Dorsett Group Total	658	709	607
TWC Hotel Group	–	600(1)	634

Note:

(1) The amount represents results of TWC for the period from 1 May 2018 to 31 March 2019.

The following table sets forth the Group's owned hotels (including casinos) that are currently in operation or under development.

Name of hotel /casino	Location	Group Interest (per cent.)
Hong Kong		
1 Dorsett Wanchai, Hong Kong	Nos. 387–397 Queen's Road East, Wan Chai	100
2 Cosmo Hotel Hong Kong	Nos. 375–377 Queen's Road East, Wan Chai	100
3 Lan Kwai Fong Hotel@Kau U Fong	No. 3 Kau U Fong, Central	100
4 Silka Far East, Hong Kong	Nos. 135–143 Castle Peak Road, Tsuen Wan	100
5 Silka Seaview, Hong Kong	No. 268 Shanghai Street, Yau Ma Tei	100
6 Dorsett Mongkok, Hong Kong	No. 88 Tai Kok Tsui Road, Tai Kok Tsui	100
7 Dorsett Kwun Tong, Hong Kong	No. 84 Hung To Road, Kwun Tong	100
8 Dorsett Tsuen Wan, Hong Kong	No. 28 Kin Chuen Street, Kwai Chung	100
9 Silka Tsuen Wan, Hong Kong	No. 119 Wo Yi Hop Road, Kwai Chung	100
10 Kai Tak Hotel, Hong Kong	Shing Kai Road, Kai Tak, New Kowloon Inland Lot No.6007	100
The PRC		
1 Dorsett Grand Chengdu	No. 168 Xiyulong Street, Qingyang District, Chengdu, Sichuan Province	100
2 Dorsett Wuhan	Hong Kong & Macau Centre, No. 118 Jianghan Road, Hankou, Wuhan, Hubei Province	100
3 Dorsett Shanghai	No. 800 Hua Mu Road, Pudong New Area, Shanghai	100
4 Lushan Resort	Wenquan Zhen, Xingzi Xian, Jiujiang City, Jiangxi Province	100
Malaysia		
1 Dorsett Kuala Lumpur	172, Jalan lmbi, 55100 Kuala Lumpur, Malaysia	100
2 Dorsett Grand Subang	Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia	100
3 Dorsett Grand Labuan	462, Jalan Merdeka, 87029 Federal Territory of Labuan, Malaysia	100
4 Silka Maytower Kuala Lumpur	No. 7 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia	100
5 Silka Johor Bahru	Lot 101375 Jalan Masai Lama, Mukim Plentong, 81750 Johor, Malaysia	100
6 Dorsett Residences Bukit Bintang	172 A Jalan Imbi, 55100 Bukit Bintang, Kuala Lumpur, Malaysia	100

Name of hotel /casino		Location	Group Interest
			(per cent.)
7	J-Hotel by Dorsett	Jalan Jati, Off Jalan Imbi, 55100 Kuala Lumpur, Malaysia	100
Singapore			
1	Dorsett Singapore	333 New Bridge Road, 088765 Singapore	100
2	Oakwood Premier AMTD Singapore	6 Shenton Way, OUE Downtown #07-01, 068809 Singapore	49
UK			
1	Dorsett Shepherds Bush, London	58 Shepherd's Bush Green, London	100
2	Dorsett City, London	9 Aldgate High Street, London	100
3	Dorsett Shepherds Bush II, London	56 Shepherd's Bush Green, London	100
4	Dorsett at Consort Place	63-69 Manilla Street & 50 Marsh Wall, London	100
5	Hornsey Town Hall	The Broadway, Crouch End, London	100
Australia			
1	Ritz-Carlton	Tower 1, West Side Place, Melbourne, Australia	100
2	Ritz-Carlton	Elizabeth Quay, Perth, Australia	100
3	Queen's Wharf	Brisbane, Australia	25
4	Sheraton Grand Mirage Resort	71 Sea World Drive, Main Beach, Gold Coast, Queensland	25
5	Dorsett Melbourne	Tower 3, West Side Place, Melbourne, Australia	100
6	Dorsett at Perth City Link	City Link, Perth, Australia	100
7	Dorsett Gold Coast	Casino Drive, Broadbeach, Queensland, Australia	33.3
8	The Star Residences – Epsilon	Casino Drive, Broadbeach Island, Broadbeach, Queensland	33.3
9	Dorsett Sydney	Union Street, Pyrmont, Sydney, Australia	50
European Union countries			
1	Hotel Columbus	Seligenstadt, Germany	100
2	Hotel Freizeit Auefeld	Hann Münden, Germany	100
3	Hotel Kranichhöhe	Much, Germany	100
4	Hotel Donauwelle	Linz, Austria	100
5	Hotel Savannah	Czech-Austrian Border	100

Hong Kong

Hong Kong remained the main contributor to the Group's hotel operations which accounted for approximately 35.1 per cent. of the hotel revenue. During FY2020, the Hong Kong hospitality and tourism industry took a severe hit due to the double blow from the social unrest and the COVID-19 pandemic, which resulted in the largest drop of the number of tourist arrivals in a decade. Despite the challenging operating environment, a total of six out of nine of the Group's Hong Kong hotels achieved over 80 per cent. in OCC in the first half of FY2020. During FY2020, the OCC declined by 24.5 per cent. to 70.8 per cent. The ARR dropped by 27.9 per cent. to HK$578 per night, resulting in a decrease of 46.5 per cent. in the RevPAR to HK$409 per night as compared to the prior year.

Since January 2020, the Group has supported the local community by becoming one of the first to officially welcome and provide accommodation and other support to the local healthcare personnel as well as local residents with self-quarantine requirements to meet. As a result, both OCC and RevPAR for the nine Hong Kong hotels have outpaced the overall market in recent months despite the fact that total inbound visitor arrivals decreased by 85.3 per cent. during the four months from in January to April 2020 as compared to the same period in 2019. Despite the recent challenges faced by the Hong Kong markets, the Group remains optimistic in furthering the growth of its hotel revenue in Hong Kong in the long term.

PRC

In the PRC, where the Group's hotel operations have been severely impacted by the wide spread of COVID-19, OCC in FY2020 decreased by 16.9 per cent. as compared to FY2019 while ARR was at RMB389 per night. As a result, RevPAR decreased by 24.9 per cent. to RMB217 per night as compared to FY2019. Revenue decreased by 23.6 per cent. to approximately RMB166 million for FY2020. Dorsett Shanghai and Chengdu have remained open, albeit at low occupancy and ARR levels due to the lack of international and domestic travellers since late January 2020. Dorsett Wuhan and Lushan Resort were ordered to close by the local government since early January 2020 and have re-opened in April 2020.

UK

In the UK, hotel revenue remained stable at GBP23.8 million for FY2020. ARR managed to improve by 9.3 per cent. to GBP129 per night, which was partially offset by the 8.0 per cent. drop of OCC to 74.3 per cent. As a result, RevPAR stood at GBP96 per night for FY2020. The hotel market in the UK was severely affected by travel restrictions in the second half of FY2020, but both hotels in London remain open per government regulations to support essential workers including medical staff from the National Health Service, policemen from the City of London and guests who were not able to cross the border.

European Union

The European Union countries have been significantly impacted by COVID-19 albeit at a later time than Asia. Four hotels in Germany and Austria of the Group were ordered to close by the local government for a month from mid-March 2020 but re-opened in mid-April 2020. The Trans World Hotel Savannah, which is attached to the casino in the Czech Republic, was ordered to close by the local government since mid-March 2020 but re-opened in early June 2020. However, due to the recent deterioration of the COVID-19 situation in Europe, the Czech government has announced a temporary closure of services and outlets, including casinos, until 25 October 2020. As a result, the casinos owned by the Group in the Czech Republic are again temporarily closed. Hindered by the closure of hotel operations in the European Union countries, TWC Hotel Group saw a slight decrease in total revenue in FY2020. Despite the respective increase of 1.7 per cent. in OCC and 5.7 per cent. in ARR which resulted in a RevPAR growth of 8.7 per cent. Compared with its 11-month contribution in FY2019, total revenue decreased by 8.7 per cent. due to the drop in revenue from the food and beverage segment of the business. Borders between Germany, Austria and the Czech Republic were reopened in early June 2020. During the border closure, its hotels in Germany and Austria are on the shortlist to host health workers and non-COVID-19 related hospital patients under government instructions.

Australia

In Australia, since its opening in November 2019, the luxury Ritz-Carlton in Perth had performed well until COVID-19 outbreak, which seriously impacted the entire hotel sector in Australia with travel restrictions, state and national border shutdowns, quarantine requirements, closures of food and beverage, spa and other hotel facilities imposed by Western Australia state government in late March 2020 subsequently extended to September 2020. Despite the difficult operating environment, the hotel has implemented Marriott's best practice of COVID-19 processes and remained open in line with all Marriott branded hotels in Australia.

Malaysia

In Malaysia, apart from Dorsett Grand Labuan, which has continued to operate due to its relatively remote location, all of the Group's Malaysia hotels were ordered for lockdown under the local government's instruction to combat COVID-19 since mid-March 2020. Lockdown measures crippled the local economy and impacted its hotel operations resulting in the drop of total revenue of 11.0 per cent. to approximately MYR102 million for FY2020 as compared with FY2019. The Group's hotels in Malaysia experienced a 9.1 per cent. decline in OCC as compared with FY2019, with ARR remained fairly stable and RevPAR experienced 11.0 per cent. decline for FY2020 as compared with FY2019. In early April 2020, Dorsett Grand Subang reopened to support the local community by receiving guests with self-quarantine requirements. Dorsett Kuala Lumpur, Dorsett Residences Bukit Bintang and Silka Maytower Hotel & Serviced Residences have also resumed business in early May 2020 while the remaining hotels are closed until further notice.

Singapore

The Guarantor (through a joint venture) completed the acquisition of the property, plant and equipment and business of Oakwood Premier OUE Singapore, currently known as Oakwood Premier AMTD Singapore. The Guarantor invested in Oakwood Premier AMTD Singapore through its subsidiary, Dorsett Hospitality International Limited and contributed S$141.6 million to the purchase of the property with a total GFA of 25,054 sq.m. with 268 rooms and service residential units.

The total revenue of Dorsett Singapore stood at S$14.8 million in FY2020. ARR was relatively flat at S$174 per night in FY2020 while OCC recorded a decrease of 6.0 per cent. to 76.0 per cent. resulting in a slight decrease of RevPAR of 6.3 per cent. to S$133. Nevertheless, starting from mid-April 2020, Dorsett Singapore has been selected to become one of the government facilities to support various authorities and medical teams on-site, contributing its full room inventory to serve the local community. This arrangement is in place until further notice from the Singapore government.

Car Park Operations and Facilities Management

The Group's car park and facilities management business includes car park operations, operated under the brand "Care Park".

The car park business extends to both self-owned car parks and third-party owned car parks and generates a stable recurring income for the Group. Care Park has been achieving steady growth over the years, with the Group's portfolio of car parking bays owned or under management growing to approximately 106,696 car parking bays as at 31 March 2020, having added approximately 7,553 car parking bays during FY2020. Of the Group's 470 car parks, 37 were self-owned car parks (24 in Australia, three in New Zealand, one in the UK, two in Malaysia and seven in Hungary) comprising approximately 11,049 car parking bays, with the remaining 95,647 car parking bays in Australia and New Zealand, the UK, Hungary and Malaysia under management contracts entered into with third-party car park owners, which include local governments, shopping malls, retailers, universities, airports, hotels, hospitals, government departments and commercial and office buildings. While growth in the Group's car park operations was recorded in FY2020, since the wide spread of COVID-19 in February 2020, the operations have faced pressure from general decline in market sentiment. The Group's car park operations and facilities management division contributed HK$760 million to its revenue for FY2020, representing an increase of 5.5 per cent., as compared with the revenue for FY2019. To mitigate the negative impacts of COVID-19, the Group has adopted the following cost control measures across all business locations: (i) standing down of employees; (ii) reducing employee overheads; and (iii) reviewing all lease commitments and reducing rental obligations on unprofitable contracts and impacted leases.

The Australian government has passed a mandatory code of conduct that entitles tenants (i.e. Care Park) to negotiate with their landlords to adjust down the lease payments in proportion to the decline in revenue as a result of COVID-19. The Group is also expected to benefit from the government compensation programmes such as in Australia, where the government will offer a wage subsidy to eligible employers.

During FY2020, Care Park successfully secured a management contract from Macquarie Principal Financial Group to manage and operate SKYCITY's car park in Auckland, New Zealand, after Macquarie has won a 30-year concession for the car park at SKYCITY's casino and convention centre, adding another 3,256 car parking bays to its growing portfolio. Furthermore, the Group has also secured a management contract of 3,200 car parking bays across three campuses including a diverse range of services in Royal Melbourne Institute of Technology.

Care Park has invested in proprietary technology and monitoring/customer service tools (Care Assist) which enable the management team to have better control of the day-to-day operations of the business and provide a stronger foundation for growth. With a management team rich in experience in car park operations and the scalability offered by Care Assist, the Group is actively evaluating a number of acquisition opportunities in the regions where the Group has an existing presence, with an aim of adding further self-owned car parks to its portfolio.

Coupled with the growing property management services in Australia (mainly in Brisbane, Melbourne and Adelaide) and Johor Bahru, Malaysia, it is expected that the Group's car park operations and facilities management business are expected to remain a growing source of recurring cash flow streams to the Group.

Gaming Operations and Management

European Union

Following on from the Group's investment in the QWB Project, the Group completed the acquisition of TWC on 30 April 2018. Revenue from TWC's gaming operations for FY2020 reached HK$223 million (which is net of gaming tax), increasing by 13.1 per cent. from HK$197 million for FY2019, mainly due to the full-year contribution recorded for FY2020 as compared with the 11 months of trading (post-acquisition) recorded for FY2019.

TWC owns and operates a portfolio of three casinos in the Czech Republic. All the casinos of TWC feature gaming tables and slot machines and are situated on the Czech borders with Germany and Austria catering to cross-border guests from these countries. With the Group's implementation of the "Asian Wallet" strategy, the Group will endeavour to introduce Asian customers to TWC's properties to supplement the Group's hospitality offerings geographically.

TWC's gaming operations continued to perform well with the synergies created between the Group and TWC following the acquisition in April 2018, including, for instance, cross-selling opportunities, improvement of gaming machines and introduction of new table games. The three casinos were forced to close in mid-March 2020 as a result of COVID-19 but reopened in early June 2020 and the Group expects the new initiatives to increase footfall for its gaming operations to generate positive results.

Australia

In March 2018, the Group entered into a strategic alliance agreement with The Star and CTF and took a 4.99 per cent. equity stake in The Star, one of the two major casino operators in Australia which has a dominant position in Sydney, Gold Coast and Brisbane.

During FY2020, revenue from the Group's investment in The Star was HK$49 million, a drop by 22.2 per cent. from approximately HK$62 million for FY2019 due to a decrease in final dividend declared by The Star.

Provision of Mortgage Services

As an extension of its property development business, the Group established a mortgage lending platform under BC Group. BC Group specialises in the provision of residential mortgages to non-resident buyers of international properties. BC Group is synergistic to the Group's property development business and offers significant growth potential beyond the existing property development business of the Group. Indeed, less than five per cent. of the loans extended to non-resident buyers were used to purchase residential properties of the Group.

Loan and advances reached AUD976 million as at 31 March 2020, an increase of about 55.9 per cent. from the loans and advances as at 31 March 2019. BC Group has strict lending rules, a diversified portfolio and a prudent loan-to-value ratio of 59.0 per cent. on average as at 31 March 2020. Net interest margin expanded to 2.07 per cent. as at 31 March 2020. During the year, BC Group continued to broaden its source of financing and was in active discussion with institutional investors and international banks to secure additional funding. Whilst most of the capital was provided by third-parties, the Group has provided approximately AUD79 million of funding as at 31 March 2020, which was classified as investment securities. Including interest income from funding, BC Group business contributed approximately HK$34 million to the Group's profit during FY2020.

BC Group is reviewing a number of new and promising markets where it can expand its service offerings, such as the UK, Malaysia and New Zealand. The Group remains committed to growing the BC Group business and expects contribution from the business to increase over time.

Safe Deposit Box Business

The Group launched a safe deposit box business, FEV, with its first outlet starting in the third quarter of 2020 in Hong Kong with around 4,500 safe deposit boxes. Apart from the full 24-hour security provided, FEV introduces leading-edge intelligent security technologies to traditional vault services including facial recognition, palm vein scans and real time QR codes, by combining physical and biometric identification.

Competition

The Group competes with other property developers in Hong Kong, the PRC, Australia, Malaysia, the UK and Singapore for the acquisition of suitable development sites and available investment properties. Competition in the hotel industry in the markets where the Group's hotels operate has been at times intense. Competition is based primarily on average room rates, quality of accommodation, brand recognition, service level, convenience of location and the quality and scope of other amenities. The Group's hotels generally compete with other three-star and four-star hotels in the cities where the Group's hotels are located. The Group also competes with other property developers to acquire existing hotels as well as to look for suitable sites to construct its hotels.

With respect to the car park operations and management division, concentration of car park facilities in the regions which the Group operates could heighten competition amongst them. In order to differentiate from its competition, the Group will continue to monitor the factors, such as quality of service offered to drivers and the location and parking rates as compared with other car park competitors near the chosen location.

Since the Group acquired TWC in FY2019, it will face competition against those gaming operators in Continental Europe with well-established scale and market leading position.

Insurance

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability. See "*Risk Factors – The Group has uninsured risks*" for risks relating to the Group's insurance coverage.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage.

Government Regulations

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates.

The success of the Group's strategy to expand its existing properties, acquire new properties or open newly-constructed properties and hotels is contingent upon, among others, receipt of all required licences, permits and authorisations, including local land use permits, building and zoning permits, environmental, health and safety permits and (in the case of hotels) food and liquor licences. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a project or could result in the loss of an existing licence.

The Issuer believes that the Group in all material respects complies with government regulations currently in effect in the jurisdictions in which it operates. The Group has not experienced significant problems with government regulations with regard to these issues and is not aware of any pending government legislation that might have a material adverse effect on its property or hotel operations.

Legal Proceedings or Related Matters

Neither the Guarantor nor any of its subsidiaries are involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

Environmental and Safety Matters

The Issuer believes that the Group in all material respects complies with applicable environmental and safety laws and regulations in countries where it operates. As at the date of this Offering Circular, the Group was not aware of any material environmental or safety proceedings or investigations to which it was or might become a party.

Employees

As at 31 March 2020, a total of approximately 4,400 employees were engaged in the Group's operations. None of the Group's employees are members of a trade union and the Group has not experienced any strikes or disruptions due to labour disputes. The Guarantor considers its relations with its employees to be good.

Corporate Governance and Corporate Social Responsibility

The Group believes that a high standard of corporate governance is key to facilitating sustainable development. The Group adopts an active approach to investors' communication and provides a high degree of transparency to its investors and is committed to continuing its efforts to enhance various areas of corporate social responsibility.

Corporate Governance

In order to enhance the quality of corporate governance, the Group engaged external consultants to analyse sustainability governance and risk management and to identify areas for improvement, and formulated action plans to refine existing sustainability governance structures.

Corporate Social Responsibility

As part of the Group's efforts to contribute to the communities in which it operates, the Group participates in employee volunteering and strategic giving, donating one million surgical masks with Hengan International Group Co., Ltd during the height of COVID-19 in Hong Kong.

Environmental Responsibility

The Group has integrated green building elements into its property designs and implemented building material control and waste monitoring and reduction policies at construction sites. The Group's hotels have also implemented sustainable practices such as replacing single-use items with reusable items, sustainable purchasing, energy conservation and efficiency initiatives. The Group continues to explore the feasibility of solar energy use and energy efficient technologies in its hotel operations.

In recognition of the Group's efforts in its investor relations functions, corporate governance and corporate social responsibility, the Group received a number of international awards during FY2020:

- Five awards in "2020 Asia's Best Companies" Poll by FinanceAsia, including "Best Mid-Cap Company in Hong Kong";
- "Most Honoured Companies" at "Institutional Investor's 2019 All-Asia Executive Team";
- Tied First for the "30 Years of Corporate Governance Awards (Hong Kong)" by Asiamoney;
- Gold Award at "The Asset ESG Corporate Awards 2019";
- Two awards at "9th Asian Excellence Award 2019", including "Best Investor Relations Company";
- Nine awards in "2019 5th Investor Relations Awards" by HKIRA, including "3 Years IR Awards Winning Company", "Best IR Company", "Best IR in Corporate Transaction" and "Best Investor Meeting"; and
- Two awards at the "Third China Excellent IR Award".

Intellectual Property

As at the date of this Offering Circular, the Group is the registered owner of its material domain names, including www.fecil.com.hk and www.dorsett.com, and has registered, its material trademarks in several countries, including Hong Kong, the PRC, Malaysia, Singapore and Macau. Its material registered trademarks are set out in the table below:

Material trademarks indirectly held by the Guarantor:

Proprietor	Word marks/Logo marks	Countries in which the trademark is registered
Far East Consortium (IP) Holding Limited		Australia New Zealand Singapore UK

Proprietor	Word marks/Logo marks	Countries in which the trademark is registered
	(A) (B)	Hong Kong Malaysia
	Far East Consortium	Australia New Zealand UK
	FEC	Australia New Zealand Singapore UK
	(A) FEC (B) FEC	Hong Kong Malaysia
	远东发展	Australia New Zealand UK
	遠東發展	Australia New Zealand UK
	(A) 遠東發展 (B) 遠東發展 (C) 远东发展 (D) 远东发展	Malaysia

Material trademarks held within the hotel operations and management segment:

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
Dorsett	DORSETT	Australia Malaysia Singapore Taiwan Hong Kong European Union Macau PRC Indonesia
Dorsett Grand	DORSETT GRAND	Australia Malaysia Singapore Taiwan Hong Kong European Union Macau PRC Indonesia
帝盛	帝盛	PRC Singapore Taiwan Hong Kong Macau
帝盛君豪	帝盛君豪	Australia European Union Hong Kong Indonesia Macau Malaysia Singapore Taiwan PRC US
Dorsett	Dorsett Dorsett	Hong Kong Singapore Taiwan

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
	Grand Dorsett	Malaysia
		Hong Kong
		Hong Kong
		Singapore
		Macau PRC Taiwan
		PRC Macau Taiwan
Silka	Silka	Malaysia Macau Australia Taiwan Indonesia PRC
	Silka Silka	Hong Kong Singapore
	Silka	Hong Kong Malaysia Singapore Taiwan Australia Indonesia PRC Macau

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
絲麗	絲麗	Australia Hong Kong Indonesia Macau Malaysia Taiwan Singapore
d. COLLECTION	A d. COLLECTION B d. COLLECTION	Hong Kong Malaysia Singapore
D. COLLECTION	d. COLLECTION	Australia European Union Indonesia Taiwan Macau PRC
Stay Vibrant	A Stay Vibrant B STAY VIBRANT C stay vibrant D Stay vibrant	Hong Kong Australia European Union UK Japan

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
Dao by Dorsett	d a O BY DORSETT d a O BY DORSETT	Hong Kong Singapore UK
麗悅	麗悅	Australia Hong Kong Singapore Taiwan Macau Malaysia PRC
麗港	麗港	Macau
帝軒	帝軒	Hong Kong Singapore Taiwan
帝悅	帝悅	Macau PRC

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
帝薈	帝薈	Macau PRC
COSMOPOLITAN	COSMOPOLITAN	Taiwan
帝豪	帝豪	Hong Kong Taiwan
KOSMOPOLITO	KOSMOPOLITO Hotels International HOTEL KOSMOPOLITO	Taiwan Macau PRC
Cosmo Hotel	A Cosmo Hotel B Cosmo Hotel C COSMO HOTEL	Hong Kong
Kosmo Hotels	Kosmo Hotels	Hong Kong
Hotel Kosmopolito	Hotel Kosmopolito	Macau PRC
Dorsett	Dorsett	Taiwan Macau PRC

Material trademarks indirectly held by the Guarantor:

Brand name	Word marks/Logo marks	Countries in which the trademark has been registered
Care Park	CARe PARK	Australia PRC Hong Kong
		Australia Hong Kong Malaysia
	CARE GROUP	Australia
	CARe PARK	Australia Bosnia and Herzegovina Croatia Hungary Montenegro Serbia UK
	CARe PARK	New Zealand
	My CAREPARK .com.au	Australia
	APM AUSTRALIAN PROPERTY MANAGEMENT	Australia
	UNIHOUSE	Australia
	CARE PARK	New Zealand

Commitments

	As at 31 March		
	2018	2019	2020
		(audited) (HK$'000)	
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: . . .	1,626,855	971,222	1,298,342
– Acquisition, development and refurbishment of hotel properties	1,596,141	877,949	1,186,814
– Commitment to provide credit facility to a joint venture	–	65,000	94,000
– Others	30,714	28,273	17,528

Financial Condition and Liquidity

Property and hotel development and investment activities are capital intensive, in which the Group has contracted substantial commitments over the next few years. The Group has historically funded its capital needs primarily through internally generated funds from operations (including pre-sale deposits and recurring hotel, car park and rental income), supplemented by external lines of credit, term loans and, to a lesser extent, equity issues. Working capital and capital expenditure requirements in FY2020 were financed principally through a combination of funds generated from operations and external borrowings.

As at 31 March 2020, the Group's total bank and other borrowings were HK$19.9 billion, of which HK$5.6 billion was repayable within one year or on demand and HK$14.3 billion was repayable after one year. The Group's borrowings are primarily denominated in Hong Kong dollars, Singapore dollars and Renminbi.

As at 31 March 2020, the Group had a total liquidity position of HK$6.1 billion, comprising bank and cash balances[21] of HK$3.1 billion and investment securities of HK$3.0 billion. The Group had approximately HK$58.1 billion of total assets (adjusted for hotel revaluation surplus[22]) and HK$17.4 billion of net debt[23] as at 31 March 2020. The ratio of the net debt[21] to total assets (adjusted for hotel revaluation surplus[24]) was approximately 29.9 per cent. as at 31 March 2020. Although the Group has significant capital commitments for its projects under development, the Group believes that, with existing bank balances and cash, the proceeds from pre-sales of its development properties and external financing, it will have adequate sources of capital for its continuing operations.

21 The amount represents total restricted bank deposits, deposit in a financial institution, and bank balances and cash.

22 Hotel revaluation surplus excludes the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur, which are newly opened and valued at cost.

23 Net debt represents total bank loans, notes and bonds less investment securities, bank and cash balances.

24 Hotel revaluation surplus excludes the Ritz-Carlton in Perth and J-Hotel by Dorsett in Kuala Lumpur, which are newly opened and valued at cost.

DIRECTORS AND MANAGEMENT

The members of the board (the "**Board**") of directors of the Guarantor (the "**Directors**") as at the date of this Offering Circular are as follows:

Executive Directors

Tan Sri Dato' David CHIU, B.Sc. (Chairman and Chief Executive Officer)
Cheong Thard HOONG, B. ENG., ACA (Managing Director)
Dennis CHIU, B.A.
Craig Grenfell WILLIAMS, B. ENG. (CIVIL)
Wing Kwan Winnie CHIU, B.Sc.

Independent Non-executive Directors

Kwok Wai CHAN
Kwong Siu LAM
Lai Him Abraham SHEK

The biographies of the Executive Directors, Independent Non-executive Directors and Senior Management at the date of this Offering Circular are as follows:

Tan Sri Dato' David Chiu, B.SC.
(Executive Director, Chairman and Chief Executive Officer)

Tan Sri Dato' David CHIU, aged 66, holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. In his business career, he established a number of highly successful business operation through organic growth and acquisitions, covering Mainland China, Hong Kong, Japan, Malaysia, Singapore and Australia. Since 1978, Tan Sri Dato' David CHIU had been the Managing Director of Far East Consortium Limited (the predecessor of the Guarantor). He was appointed as Deputy Chairman and Chief Executive Officer of the Guarantor on 8 December 1994 and 8 October 1997 respectively. On 8 September 2011, Tan Sri Dato' David CHIU has been appointed as the Chairman of the Guarantor. He is also a director of various subsidiaries of Guarantor. Currently, he is the chairman and a non-executive director of i-CABLE Communications Limited (stock code: 1097).

In regard to Tan Sri Dato' David CHIU's devotion to community services in China and Hong Kong, he was appointed as the member of the 12th and 13th Chinese People's Political Consultative Conferences, the vice chairman of All-China Federation of Industry and Commerce in 2017. Currently, he is a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a patron of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, an honorary chairman of the Association of Chinese Culture of Hong Kong, the eighth board member of Friends of Hong Kong Association, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Pacific Basin Economic Council, a director of three Ju Ching Chu Schools in Hong Kong and the vice chairman of Guangdong-Hong Kong-Macao Greater Bay Area Radio and Television Union. In Malaysia, Tan Sri Dato' David CHIU was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013. He is the father of Ms. Wing Kwan Winnie CHIU (Executive Director of the Guarantor) and the brother of Mr Dennis CHIU (Executive Director of the Guarantor).

Mr. Cheong Thard Hoong, B.ENG., ACA
(Executive Director and Managing Director)

Mr HOONG, aged 51, was appointed as an Executive Director of the Guarantor in August 2012. He joined the Group in September 2008 as the Managing Director. He is responsible for the formulation and implementation of the Group's overall strategies for development. He brings with him a wealth of knowledge in corporate development and extensive experience in mergers and acquisitions as well as international capital markets.

Prior to joining the Group, Mr HOONG was the chief executive officer of China LotSynergy Holdings Limited (stock code: 1371). He was instrumental in implementing a number of important initiatives which established international relationships for the company and built solid foundations for business expansion. He has retired as a non-executive director of the company with effect from 1 June 2017. Mr HOONG was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance businesses in Asia. Mr HOONG is also a director of various subsidiaries of the Guarantor. Besides, he is a non-independent and non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia and a non-executive director of i-CABLE Communications Limited (stock code: 1097). Mr HOONG was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017.

Mr HOONG is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.

Mr. Dennis Chiu, B.A.
(Executive Director)

Mr CHIU, aged 62, was appointed as an Executive Director of Far East Consortium Limited (the predecessor of the Guarantor) in 1978. He has been actively involved in the business development in the Mainland China, Singapore and Malaysia. He is also a director of various subsidiaries of the Guarantor.

Mr CHIU has been elected as the chairman of Federation of Hong Kong Business Worldwide of 45 Hong Kong Business Associations in 34 countries and regions with over 13,000 individual associates; and the chairman of Hong Kong Singapore Business Association ("**HSBA**") in 2018. He was the president of HSBA from 2014 to 2018. In addition, he is a patron and Adviser of Ayer Rajah Single Member Constituency, West Coast Group Representation Constituency Singapore; and has been the governor of Harrow International School Bangkok since 2004. He was also involved in other charitable organisations, including Yan Chai Hospital and Ju Ching Chu English College Limited, previously.

Mr CHIU was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017. He is the brother of Tan Sri Dato' David CHIU (Executive Director, Chairman and Chief Executive Officer of the Guarantor) and the uncle of Ms. Wing Kwan Winnie CHIU (Executive Director of the Guarantor).

Mr. Craig Grenfell Williams, B.ENG. (CIVIL)
(Executive Director)

Mr WILLIAMS, aged 68, was appointed as an Executive Director of the Guarantor in 2000. He is responsible for all property developments in Australia. He resides in Melbourne, Australia. He holds a degree of Bachelor of Civil Engineering from Melbourne University. Before joining the Australian operations of the Guarantor, he was a director of all development companies of the Lend Lease Group, Australia's largest property developer. Mr WILLIAMS has extensive experience in all facets of property development and is the past president of the St. Kilda Road Campaign Inc. He is also a director of various subsidiaries of the Guarantor.

Ms. Wing Kwan Winnie Chiu, B.Sc.
(Executive Director)

Ms. CHIU, aged 40, was appointed as an Executive Director of the Guarantor in June 2019. She obtained a degree of Bachelor of Science in Business Management in King's College London, University of London in 2003. She became an honorary fellow of the Hong Kong Academy for Performing Arts and Vocational Training Council in 2017. She was appointed as Justice of the Peace of the HKSAR in July 2016. She has also served as a committee member in some government committees including Betting and Lotteries Commission since August 2017 and the Business Facilitation Advisory Committee since July 2018. She is a council member of The Better Hong Kong Foundation since 2012; a member of the committee of overseers of Wu Yee Sun College of the Chinese University of Hong Kong since August 2016; an advisor of Our Hong Kong Foundation since January 2018; a board member of the Community Chest since June 2018; a primary company representative of Dorsett at Hong Kong General Chamber of Commerce since June 2018; an honorary vice president of GHM (Guangdong Hong Kong Macao) Hotel General Managers Society since February 2019; a board member of YPO Hong Kong Chapter and a member of Hong Kong – Japan Business Co-operation Committee.

Ms. CHIU has been a director of Asian Youth Orchestra Limited since December 2011; the vice chairperson of THE FRIENDS of the Hong Kong Arts Centre since July 2015; a development committee member of Hong Kong Arts Festival Society Limited since April 2016; the chairman of Hong Kong Art School Council since September 2016; a member of Hong Kong Arts Development Council since January 2017; the joint president of the Society of the Academy for Performing Arts since 2018; a member of discipline advisory board of Vocational Training Council; a director of the Hong Kong Philharmonic Society Ltd.; a member of the Hong Kong Art School Council from November 2013 to October 2016; and a member of the Hong Kong Arts Centre from December 2013 to November 2016.

Ms. CHIU joined the Group in 2005 as a director of property development. She was appointed as the president and an executive director of Dorsett, in June 2010 and November 2011, respectively, to oversee its overall strategic growth and development. She is currently the chairman of AGORA Hospitality Group Co., Ltd, a company listed on the Tokyo Stock Exchange. She is also a director of various subsidiaries of the Guarantor.

Previously, Ms. CHIU worked in Credit Suisse. She has been a director of Malaysia Land Properties Sdn. Bhd. ("**Mayland**") since 2002. She has been involved in the different aspects of property development which include development of shopping centre, retail management and service apartment of Mayland.

Ms. CHIU is the daughter of Tan Sri Dato' David CHIU (Executive Director, Chairman and Chief Executive Officer of the Guarantor) and the niece of Mr Dennis CHIU (Executive Director of the Guarantor).

Mr. Kwok Wai Chan
(Independent Non-executive Director)

Mr CHAN, aged 61, was appointed as an Independent Non-executive Director of the Guarantor in November 2005. He is a member of The Hong Kong Securities and Investment Institute and a member of CPA Australia. Mr CHAN is a director of High Progress Consultants Limited and an independent non-executive director of Chinese Estates Holdings Limited (stock code: 127), China Investments Holdings Limited (stock code: 132), Tern Properties Company Limited (stock code: 277) and National Electronics Holdings Limited (stock code: 213).

Mr. Kwong Siu Lam
(Independent Non-executive Director)

Mr LAM, aged 86, was appointed as an Independent Non-executive Director of the Guarantor in September 2011. He was the delegate of the 10th National People's Congress. Mr LAM currently serves as the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Association, the life honorary chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the life honorary chairman of the Chinese General Chamber of Commerce, an adviser of the Hong Kong Chinese Enterprises Association and the honorary president of the Chinese Bankers Club of Hong Kong. In addition, Mr LAM has been a non-executive director of Bank of China International Limited (formerly known as "BOCI Capital Limited") since July 2002. Currently, he is an independent non-executive director of Fujian Holdings Limited (stock code: 181), Xinyi Glass Holdings Limited (stock code: 868), Yuzhou Properties Company Limited (stock code: 1628) and Skymission Group Holdings Limited (stock code: 1429). Mr LAM was an independent non-executive director of Vico International Holdings Limited (stock code: 1621) until April 2019 and China Overseas Land & Investment Limited (stock code: 688) until June 2020. Mr LAM was awarded the HKSAR Gold Bauhinia Star in 2016 and Silver Bauhinia Star in 2003. He has more than 50 years of banking experience.

Mr. Lai Him Abraham Shek (Alias: Abraham Razack)
(Independent Non-executive Director)

Mr SHEK, aged 75, was appointed as an Independent Non-executive Director of the Guarantor in June 2019. He obtained a bachelor degree of arts and a diploma in education in the University of Sydney in May 1969 and March 1970, respectively. He became the honorary fellow of Lingnan University, The Hong Kong University of Science and Technology, The University of Hong Kong and The Education University of Hong Kong in November 2008, June 2014, September 2016 and March 2018, respectively. In addition to his achievements in the academic field, Mr SHEK has also earned certain honorary titles in various ambits. He was appointed as Justice of the Peace in July 1995 and awarded the Silver Bauhinia Star and Gold Bauhinia Star in the HKSAR 2007 and 2013 Honors Lists, respectively. He has also been a member of the advisory committee board of the Independent Commission Against Corruption since January 2017. Mr SHEK is currently a member of the Legislative Council for the HKSAR, the Honorary Member of the Court of The Hong Kong University of Science and Technology, the Court and the Council Member of The University of Hong Kong, a non-executive director of Mandatory Provident Fund Schemes Authority of Hong Kong, the chairman and an independent member of the Board of Governors of English Schools Foundation and a member of the executive committee of Hong Kong Sheng Kung Hui Welfare Council Limited.

In addition, Mr SHEK is an independent non-executive director of the following listed companies and collective investment schemes, all of which are listed on the Hong Kong Stock Exchange: (a) Paliburg Holdings Limited (stock code: 617); (b) Lifestyle International Holdings Limited (stock code: 1212); (c) Chuang's Consortium International Limited (stock code: 367); (d) NWS Holdings Limited (stock code: 659); (e) Country Garden Holdings Company Limited (stock code: 2007); (f) SJM Holdings Limited (stock code: 880); (g) Chuang's China Investments Limited (stock code: 298); (h) ITC Properties Group Limited (stock code: 199); (i) China Resources Cement Holdings Limited (stock code: 1313); (j) Lai Fung Holdings Limited (stock code: 1125); (k) Cosmopolitan International Holdings Limited (stock code: 120); (l) Goldin Financial Holdings Limited (stock code: 530, a company which is currently the subject of a winding-up petition); (m) Everbright Grand China Assets Limited (stock code: 3699); (n) CSI Properties Limited (Stock Code: 497); (o) Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust (stock code: 1881); (p) Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (stock code: 2778); and (q) Landing International Development Limited (stock code: 582).

Mr SHEK also served as an independent non-executive director of Dorsett from September 2010 to October 2015. Mr SHEK was also an independent non-executive director of the following companies, all of which are listed on the Hong Kong Stock Exchange: (a) ITC Corporation Limited (now known as "PT International Development Corporation Limited") (stock code: 372) until March 2017; (b) TUS International Limited (stock code: 872) until January 2017; (c) Midas International Holdings Limited (now known as "Magnus Concordia Group Limited") (stock code: 1172) until January 2018; (d) MTR Corporation Limited (stock code: 66) until May 2019; and (e) Hop Hing Group Holdings Limited (stock code: 47) until June 2020.

Mr. Wai Hung Boswell Cheung
(Chief Financial Officer and Company Secretary)

Mr CHEUNG has re-joined the Group as Chief Financial Officer and Company Secretary of the Guarantor after having previously served the Group from October 2010 to August 2017, when he was responsible for financial management, investor relations and company secretarial matters of the Group. Mr CHEUNG is an independent non-executive director of Capinfo Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1075), and an audit committee member of AGORA Hospitality Group Co. Ltd, a company listed on the Tokyo Stock Exchange.

Prior to re-joining the Group, Mr CHEUNG was the chief operating officer and company secretary of Integrated Waste Solutions Group Holdings Limited (formerly known as Fook Woo Group Holdings Limited, stock code: 923), a senior financial strategy advisor of China Pacific Insurance (Group) Co., Ltd. (stock code: 2601), an executive director and a non-executive director of Dejin Resources Group Company Limited (formerly known as Bright International Group Limited and cancelled listing on the Main Board of the Hong Kong Stock Exchange, previous stock code: 1163) and also held audit posts at Deloitte Touch Tohmatsu and Ernst & Young.

Mr CHEUNG graduated in Scotland with a Bachelor of Arts in Accounting in 1992, obtained a Master's degree of Business Administration from University of Leicester in England in 1995 and a Master's degree of Professional Accounting in 2007. Mr CHEUNG is a non-practicing member of the Hong Kong Institute of Certified Public Accountants and a qualified accountant of CPA Australia.

Board Committees

As at the date of this Offering Circular, the Board has established four Board committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the affairs of the Group. All the Board committees should report to the Board on their decisions or recommendation made.

Executive Committee

The Executive Committee currently comprises a total of six members, namely Tan Sri Dato' David CHIU, Mr Cheong Thard HOONG, Mr Dennis CHIU, Mr Craig Grenfell WILLIAMS, Ms. Wing Kwan Winnie CHIU and Mr Wai Hung Boswell CHEUNG. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Guarantor's strategic plans and operations of all business units of the Guarantor and discusses and makes decisions on matters relating to the management and day-to-day operations of the Guarantor.

Audit Committee

The Audit Committee comprises a total of three members, being the three Independent Non-executive Directors, namely Mr Kwok Wai CHAN, Mr Kwong Siu LAM and Mr Lai Him Abraham SHEK. The chairman of the Audit Committee is Mr Kwok Wai CHAN who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee include monitoring the Group's financial reporting system, reviewing financial statements, risk management and internal control procedures. It also acts as an important link between the Board and the Guarantor's auditor in matters within the terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises a total of three members, being one Executive Director, namely Tan Sri Dato' David CHIU, and two Independent Non-executive Directors, namely Mr Kwok Wai CHAN and Mr Lai Him Abraham SHEK. The chairman of the Remuneration Committee is Mr Kwok Wai CHAN. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Nomination Committee

The Nomination Committee comprises a total of four members, being one Executive Director, namely Tan Sri Dato' David CHIU, and three Independent Non-executive Directors, namely Mr Kwok Wai CHAN, Mr Kwong Siu LAM and Mr Lai Him Abraham SHEK. The chairman of the Nomination Committee is Tan Sri Dato' David CHIU. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make relevant recommendations to the Board; to consider the retirement and re-election of the directors of the Guarantor and to make relevant recommendations to the Board; and to assess the independence of independent non-executive directors of the Guarantor.

In selecting candidates for directorship of the Guarantor, the Nomination Committee may make reference to certain criteria such as the Guarantor's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Guarantor also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the provision of A.5.6 of the Corporate Governance Code to the Listing Rules, a Board diversity policy was adopted by the Guarantor in 2013 and modified in 2018, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. In November 2018, the Group has also established a Director Nomination Policy setting out the approach and procedures adopted for the nomination and selection of Directors.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Guarantor's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Guarantor.

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES, DEBENTURES AND SHARE OPTIONS

Substantial Shareholders

As at the date of this Offering Circular, according to the register of interests in shares and short positions in shares and underlying shares or debentures of the Guarantor, required to be kept under Section 336 of the SFO (other than the interests of Directors as set out above) and as far as the Directors are aware, the following persons had interests of five per cent. or more or short positions in the shares of the Guarantor:

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate percentage of the relevant issued share capital(3)
Sumptuous Assets Limited	Beneficial owner	1,127,397,003(1) (long position)	47.96
Deacon Te Ken CHIU	Beneficial owner	13,022,647 (long position)	0.55
	Interest of controlled corporations	140,942,693(2) (long position)	6.00
	Interest of spouse	1,624,301(2) (long position)	0.07

Notes:

(1) The interests of Sumptuous Assets Limited were also disclosed as the interests of Tan Sri Dato' David CHIU in the section below headed "*Directors' Interests*". Tan Sri Dato' David CHIU is a director of Sumptuous Assets Limited.

(2) 140,942,693 shares were held by various companies under Mr Deacon Te Ken CHIU's estate and 1,624,301 shares were held by Mrs. Ching Lan CHIU JU, spouse of Mr Deacon Te Ken CHIU. Mr Deacon Te Ken CHIU passed away on 17 March 2015 and his interests in the ordinary shares of the Guarantor forms part of his estate.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Guarantor's issued shares as at the date of this Offering Circular.

Save as disclosed above, as at the date of this Offering Circular, the Guarantor was not notified of any persons (other than Directors or the chief executive officer) who had an interest or short positions in the shares or underlying shares of the Guarantor as recorded in the register required to be kept by the Guarantor pursuant to Section 336 of the SFO.

Directors' Interests

As at the date of this Offering Circular, the interests and short positions of the directors and chief executive of the Guarantor in the shares, underlying shares or debentures of the Guarantor and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Guarantor under Section 352 of SFO; or as otherwise notified to the Guarantor and the Model Code were as follows:

(a) The Guarantor

I Long position in Shares

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the relevant issued share capital(4)
David CHIU	Beneficial owner	22,423,223	0.95
	Interest of spouse	585,322(1)	0.02
	Interest of controlled corporations	1,127,414,025(1)	47.96
Cheong Thard HOONG	Beneficial owner	13,284,950	0.57
	Joint interest	464,754(2)	0.02
Dennis CHIU	Beneficial owner	4,306	0.00
	Interest of controlled corporations	5,754,094(3)	0.24
Wing Kwan Winnie CHIU	Beneficial owner	72,545	0.00

Notes:

(1) 1,127,397,003 shares were held by Sumptuous Assets Limited and 17,022 shares were held by Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David CHIU. 585,322 shares were held by Ms. Nancy CHIU NG, spouse of Tan Sri Dato' David CHIU.

(2) 464,754 shares were held by Mr Cheong Thard HOONG jointly with his spouse, Ms Pei Chun TENG.

(3) 5,754,094 shares were held by Max Chain Holdings Limited, a company controlled by Mr Dennis CHIU and his brother Mr Daniel Tat Jung CHIU.

(4) The percentage represents the number of ordinary shares interested divided by the number of the Guarantor's issued shares as at the date of this Offering Circular.

II Debentures

As at the date of this Offering Circular, Tan Sri Dato' David CHIU was deemed to have an interest in the 3.75 per cent. U.S.$ Medium Term Notes 2021 issued by the Guarantor in the principal amount of U.S.$12,000,000 of which U.S.$10,000,000 was held by Tan Sri Dato' David CHIU and U.S.$2,000,000 was held by his spouse, Ms. Nancy CHIU NG and he has an interest in the 7.375 per cent. U.S.$ Senior Guaranteed Perpetual Capital Notes issued by The Issuer, in the principal amount of U.S.$9,000,000 of which U.S.$5,000,000 was held by Tan Sri Dato' David CHIU and U.S.$4,000,000 was held by his spouse, Ms. Nancy CHIU NG.

As at the date of this Offering Circular, Mr Cheong Thard HOONG was deemed to have an interest in the 4.5 per cent. U.S.$ Medium Term Notes 2023 issued by the Guarantor in the principal amount of U.S.$1,000,000 of which U.S.$300,000 was held by Mr Cheong Thard HOONG and U.S.$700,000 was held by Mr Cheong Thard HOONG jointly with his spouse, Ms Pei Chun TENG.

As at the date of this Offering Circular, Ms. Wing Kwan Winnie CHIU has an interest in the 4.5 per cent. U.S.$ Medium Term Notes 2023 issued by the Guarantor in the principal amount of U.S.$400,000 and the 7.375 per cent. U.S.$ Senior Guaranteed Perpetual Capital Notes issued by the Issuer in the principal amount of U.S.$1,000,000.

(b) Associated corporations

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Approximate percentage of the relevant issued share capital
Cheong Thard HOONG . .	BC Group	Beneficial owner	653,429	3.30(1)
Craig Grenfell WILLIAMS	BC Group	Beneficial owner	217,810	1.10(1)
	Care Park	Beneficiary of a discretionary trust	825(2)	8.25(2)(3)

Notes:

(1) The percentage represents the number of ordinary shares interested divided by BC Group issued shares as at the date of this Offering Circular.

(2) These shares in Care Park were held by Chartbridge Pty Ltd in its capacity as the trustee of the Craig Williams Family Trust, and Mr Craig Grenfell WILLIAMS, as a beneficiary of the Craig Williams Family Trust, was deemed to be interested in these shares.

(3) The percentage represents the number of ordinary shares interested divided by Care Park's issued shares as at the date of this Offering Circular.

Save as disclosed above, none of the Directors or chief executive of the Guarantor had or is deemed to have any interests and short positions in the shares, underlying shares or debentures of the Guarantor or any of its associated corporations within the meaning of Part XV of the SFO, which (a) were required to be notified to the Guarantor and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Guarantor and the Stock Exchange as at the date of this Offering Circular.

Share Options

(a) The Guarantor Share Option Schemes

The Guarantor's share option schemes (the "**Share Option Schemes**") were adopted for the purpose of providing incentives and rewards to employees or executives or officers of the Guarantor or any of its subsidiaries (including executive and non-executive directors of the Guarantor) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Guarantor or any of its subsidiaries. Under the Share Option Schemes, the directors of the Guarantor may grant options to eligible employees including directors of the Guarantor and its subsidiaries, to subscribe for shares of the Guarantor.

The Guarantor's old share option scheme adopted on 28 August 2002 was expired on 28 August 2012. In order to continue to provide incentives and rewards to the eligible employees and participants, the Guarantor adopted a new share option scheme pursuant to a resolution passed by the shareholders of the Guarantor on 31 August 2012 for a period of ten years commencing on the adoption date.

As at the date of this Offering Circular, there were no outstanding share options. No share options were granted, exercised, cancelled or lapsed during FY2020.

(b) Dorsett Share Option Scheme

The Dorsett Share Option Scheme was adopted for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Eligible participants of the Dorsett Share Option Scheme include directors of Dorsett (including executive directors, non-executive directors and independent non- executive directors) and employees of Dorsett and the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group whom the board of Dorsett considers, in its sole discretion, have contributed or will contribute to the Group.

The share options under Dorsett Share Option Scheme, save for those lapsed on 10 October 2015 in accordance with the Dorsett Share Option Scheme, were cancelled upon acceptance of the offer under Rule 13 of The Code on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission of Hong Kong made by or on behalf of Willow Bliss Limited, a wholly-owned Subsidiary, to the holders of Dorsett Share Option Scheme at a nominal value of HK$0.01 for each share option under Dorsett Share Option Scheme.

As at the date of this Offering Circular, there were no outstanding share options. No share options were granted, exercised, cancelled or lapsed during FY2020.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law, published practice and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (which could be made on a retroactive basis), and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations which may be relevant to a decision to purchase, own or dispose of any Notes.

Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Cayman Islands

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest or principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Guarantor obtained an undertaking from the Governor in Cabinet:

(1) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Guarantor or its operations; and

(2) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Guarantor; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of 20 years from 12 July 2011.

The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue or transfer of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Guarantor.

There is no exchange control legislation under Cayman Islands law and accordingly there are no exchange control regulations imposed under Cayman Islands law.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes may be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal and redemption of Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempt. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(a) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "**SDO**").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(a) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, August 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades, the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods, circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to the PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**"). On 8 May 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**") with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of Renminbi for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises upon the PRC enterprises presenting the payment instruction, with certain exceptions. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone ("**Shanghai FTZ**"), may establish an additional cash pool in the local scheme in such pilot free trade zone but each onshore company within the group may only elect to participate in one cash pool.

As new regulations, the above circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for the settlement of Renminbi current account items. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such regulations.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete registration and verification processes with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the SAFE Circular, which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies. According to the 2013 PBOC Circular, upon enforcement of external guarantees in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. Furthermore, onshore non-financial enterprises can (via PRC banks) extend loans in Renminbi to offshore entities within the same group under Renminbi cash pooling arrangements and will no longer need to apply for a quota from SAFE. However, SAFE has not amended its positions under the SAFE Circular, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remains potential inconsistencies between the provisions of the SAFE Circular and the provisions of the 2013 PBOC Circular and it is unclear how SAFE will deal with such inconsistencies in practice.

On 13 October 2011, the PBOC issued the PBOC Renminbi FDI Measures which set out operating procedures for PRC banks to handle Renminbi settlement relating to Renminbi FDI and borrowing by foreign invested enterprises of offshore Renminbi loans. Prior to the PBOC Renminbi FDI Measures, cross-border Renminbi settlement for Renminbi FDI required approvals on a case-by-case basis from the PBOC. The new rules replace the PBOC approval requirement with less onerous post-event registration and filing requirements. The PBOC Renminbi FDI Measures cover various aspects of Renminbi FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant Renminbi FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 3 December 2013, the MOFCOM promulgated the MOFCOM Circular, which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the 2011 MOFCOM Notice promulgated by MOFCOM on 12 October 2011. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of CNY300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

On 30 March 2015, the SAFE issued the Circular on Reforming the Administrative Approach of the Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015 (the "**2015 SAFE Circular**") and allows foreign-invested enterprises, while still having the option to choose to settle their foreign current capital through payment-based foreign exchange settlement, to settle up to 100 per cent. (this maximum percentage may be subject to future adjustment at the discretion of SAFE pursuant to the 2015 SAFE Circular) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs on a voluntary basis, provided that in principle the Renminbi proceeds through the aforementioned voluntary settlement shall be deposited into a designated bank account called "capital account item – account for foreign currency settlement pending payment" (資本項目–結匯待支付帳戶) (the "**Account for Foreign Currency Settlement Pending Payment**") as opened by such foreign-invested enterprise, and accordingly all future payments shall be processed from such Account for Foreign Currency Settlement Pending Payment. A negative list with respect to the usage of the foreign currency capital and the Renminbi proceeds settled therefrom is set forth under the 2015 SAFE Circular. In particular, a foreign-invested enterprise with investment as its main business (including a foreign-invested investment company (外商投資性公司), foreign-invested venture capital enterprise (外商投資創業投資企業) or foreign-invested private equity investment enterprise (外商投資股權投資企業)) is permitted to use the Renminbi proceeds settled from its foreign currency capital (whether directly settled or from the Renminbi deposit in its Account for Foreign Currency Settlement Pending Payment as previously settled through voluntary settlement) to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

As new regulations, the above notices, measures and circulars will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among others, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons.

Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate deposited with a common depositary for Euroclear and/or Clearstream will have an ISIN and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number. Transfers of interests in a Global Certificate will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg.

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg, the CMU and Euroclear will be permitted only in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated 16 October 2020 made between the Issuer, the Guarantor, the Arrangers and the Permanent Dealers (the "**Dealer Agreement**"), the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers and otherwise. Where the Issuer agrees to sell Notes to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold at a price different from their issue price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer and the Guarantor will pay each Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Subscription Agreement.

In addition, the Issuer and the Guarantor may agree to pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Issuer and the Guarantor will jointly and severally indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of the Notes, the relevant Dealer or Dealers (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Dealers.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Dealers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Dealers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained (see "*Risk Factors – Risks Relating to the Market Generally – Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity*"). The Issuer, the Guarantor and the relevant Dealers are under no obligation to disclose the extent of the distribution of the Notes among individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Guarantor.

Selling Restrictions

United States of America

In respect of a Regulation S Category 1 offering as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act, and the Notes and the Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, or, in the case of Bearer Notes, delivered, and will not offer or sell, or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States. The Notes and the Guarantee are being offered and sold outside the United States in reliance on Regulation S. Accordingly, none of the Dealers, their respective affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes or the Guarantee.

In respect of a Regulation S Category 2 offering as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act, and the Notes and the Guarantee may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold or, in the case of Bearer Notes, delivered, any Notes and the Guarantee, and will not offer and sell or, in the case of Bearer Notes, deliver, any Notes and the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S.

persons. Accordingly, none of the Dealers, their respective affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes or the Guarantee, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons, to substantially the following effect:

> "The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable Tranche of which such Notes are a part, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the above provision have the meanings given to them by Regulation S. Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes and the Guarantee, an offer or sale of Notes and the Guarantee within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes and the Guarantee outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer or any of its contents to any such U.S. person or other person within the United States, is prohibited.

In addition, in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code (the "**D Rules**"), each Dealer (i) represented, warranted and agreed that it has not offered or sold, and warranted and agreed that during a 40-day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represented that it has not delivered and warranted and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) each Dealer represented, warranted and agreed that it has and warranted and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such

Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, each Dealer represented, warranted and agreed that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate of such Dealer that acquires Notes in bearer form from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's behalf or agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in paragraphs (a), (b) and (c) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**C Rules**") to set out the criteria for "foreign targeted obligations" that are exempt from the excise tax under Section 4701(b)(1)(B) of the Code, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance.

Further, each Dealer represented, warranted and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules and Notice 2012-20.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area and United Kingdom

Unless the Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to EEA and UK Retail Investors*" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as contemplated by the Pricing Supplement in relation thereto to any retail investor in the EEA or in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

   I a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

   II a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

III not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(a) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "*Prohibition of Sales to EEA and UK Retail Investors*" as "Not Applicable", in relation to each Member State of the European Economic Area and the United Kingdom (each, a "**Relevant State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

The Netherlands

If the Pricing Supplement in respect of any Notes specifies "*Prohibition of Sales to EEA and UK Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither the Offering Circular nor any other document in relation to any offering of the Notes (or any interest therein) and the Guarantee may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Regulation, provided that these parties acquire the Notes for their own account or that of another qualified investor. However, the Notes may be offered free of any restrictions in the Netherlands provided that each such Note has a minimum denomination in excess of EUR100,000 (or the equivalent thereof in non-Euro currency and subject to compliance with the relevant requirements under Regulation (EU) No 1286/2014.

UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year,

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws and regulations in the PRC.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person(as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for any Notes unless at the time of such invitation the Guarantor is listed on The Cayman Islands Stock Exchange.

Taiwan

The offer of the Notes has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of any Notes in Taiwan.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply to the best of its knowledge and belief in all material respects with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of the Issuer, the Guarantor nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

1. **Listing:** Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular. The issue price of Notes to be issued under the Programme and listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

2. **Corporate Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the update of the Programme, the issue of the Notes thereunder and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The update of the Programme and the issue of the Notes thereunder were authorised by resolution of the Board of Directors of the Issuer passed on 15 October 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 15 October 2020.

3. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial condition, business, prospects, results of operation, management or properties of the Issuer, the Guarantor or of the Group since 31 March 2020.

4. **No Disputes:** None of the Issuer, the Guarantor or the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as the Issuer, the Guarantor or any member of the Group is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

5. **Clearing and Settlement:** Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

6. **Inspection of Documents:** For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours (being 9.00 a.m. to 3.00 p.m.) on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Issuer at 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong:

   (a) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

   (b) the Agency Agreement;

   (c) the Memorandum and Articles of Association of the Issuer and the Guarantor;

   (d) the most recently published annual report and interim report of the Guarantor;

(e) the most recently published audited consolidated annual financial statements of the Guarantor and the most recently published unaudited consolidated interim financial statements of the Guarantor from time to time; and

(f) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular.

Copies of the documents referred to in sub-paragraphs (i) to (ii) above will also be available during the hours referred to above at the following address of the Paying Agent (presently at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) upon prior written request and proof of holding, so long as any of the Notes is outstanding.

7. **Audited Financial Statements:** The consolidated financial statements of the Guarantor for the years ended 31 March 2019 and 2020 included in this Offering Circular have been audited by its independent auditor, Deloitte Touche Tohmatsu, as stated in their reports appearing herein.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The Independent Auditor's Report on the consolidated financial statements of the Guarantor as at and for FY2020 set out herein are reproduced from the Guarantor's annual report for FY2020 and page references included in the Independent Auditor's Report refer to pages set out in such annual report.

Note:

(1) The Independent Auditor's Report on the consolidated financial statements of the Guarantor as at and for FY2019 set out herein are reproduced from the Guarantor's annual report for FY2019 and page references included in the Independent Auditor's Report refer to pages set out in such annual report.

Independent Auditor's Report

Deloitte. 德勤

To the shareholders of Far East Consortium International Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Consortium International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 119 to 239, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, 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 (the "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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements and estimation associated with determining the fair values. The investment properties are located in Australia, Hong Kong, the People's Republic of China and Singapore. The investment properties were carried at HK$7,243,208,000 as at 31 March 2020 and represents approximately 17% of total assets in the consolidated financial statements of the Group as at 31 March 2020. As disclosed in note 8 to the consolidated financial statements, changes in fair value of investment properties of HK$20,865,000 was recognised in the consolidated statement of profit or loss for the year then ended 31 March 2020. As disclosed in note 15 to the consolidated financial statements, all of the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgments and estimates by the directors of the Company, including market unit rate and capitalisation rate.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagements; • Obtaining an understanding and assessing the reasonableness of the valuation techniques and significant assumptions used by the management and Valuers based on the relevant accounting requirements and industry norms; • Evaluating the reasonableness of the key inputs, including market rent, gross development value, market unit rate and capitalisation rate adopted by the management and the Valuers, on a sample basis, by comparing the key inputs to relevant market data based on our knowledge of the property markets; and • Assessing the accuracy of the information provided by the management to the Valuers by agreeing the rental income and tenancy summary to the respective underlying tenancy agreements, on a sample basis.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognition as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss. There are judgments involved in determining the appropriate point at which to recognise revenue from sales of properties and whether the Group should recognised the revenue from sales of properties over time or at a point in time. Revenue from sales of property is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the property underlying the particular performance obligation is transferred to the customer. As disclosed in note 4, revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group recognised revenue of HK$4,776,345,000 for the year ended 31 March 2020.	Our procedures in relation to revenue recognised from sales of properties included: • Assessing management's process and control over the appropriate point in time at which revenue from sales of properties is recognised and whether the Group should recognised the revenue from sales of properties over time or at a point in time; • Assessing the enforceability right to payment by checking to the terms of contracts, on a sample basis, and the applicable laws governing the contracts; • Evaluating the reasonableness of the management's estimation of the budgeted contract revenue and budgeted contract costs, on a sample basis, by checking to contracts and supporting document for revenue from sales of properties recognised over time; • Assessing the accuracy of the calculation of the stage of completion based on accumulated actual cost incurred to date over the total budgeted cost, on a sample basis; and • Evaluating the terms set out in the sales and purchase agreements, on a sample basis, for the revenue from sales of properties recognised at the point in time and obtaining evidence regarding the delivery of completed properties, including, where relevant, completion certificates and delivery notices, to assess whether the control of the completed properties have been transferred to buyers and the Group has present right to payment.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	7	7,450,604	6,842,319
Cost of sales and services		(4,742,094)	(3,835,645)
Depreciation of hotel and car park assets		(449,158)	(397,075)
Gross profit		2,259,352	2,609,599
Other income		143,111	65,880
Other gains and losses	8	(15,517)	978,918
Administrative expenses			
– Hotel operations and management		(441,905)	(463,766)
– Others		(409,314)	(363,396)
Pre-operating expenses			
– Hotel operations and management		(27,601)	(1,541)
Selling and marketing expenses		(193,773)	(165,509)
Share of results of associates		(11,485)	17,803
Share of results of joint ventures		2,878	2,122
Finance costs	9	(468,425)	(367,624)
Profit before tax		837,321	2,312,486
Income tax expense	10	(286,340)	(543,761)
Profit for the year	11	550,981	1,768,725
Attributable to:			
Shareholders of the Company		365,853	1,713,659
Owners of perpetual capital notes		98,564	–
Other non-controlling interests		86,564	55,066
		185,128	55,066
		550,981	1,768,725
Earnings per share	12		
Basic (HK cents)		15.5	74.0
Diluted (HK cents)		15.5	74.0

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	550,981	1,768,725
Other comprehensive (expense) income for the year		
Item that will not be reclassified to profit or loss:		
Fair value change on equity instruments at fair value through other comprehensive income ("FVTOCI")	(402,838)	(298,100)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(1,559,653)	(775,077)
Fair value change on debt instruments FVTOCI	(255,663)	–
Reclassification adjustment on disposal of debt instruments at FVTOCI during the year	(28,359)	–
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	–	23,154
Other comprehensive expense for the year	(2,246,513)	(1,050,023)
Total comprehensive (expense) income for the year	(1,695,532)	718,702
Total comprehensive (expense) income attributable to:		
Shareholders of the Company	(1,840,709)	675,718
Owners of perpetual capital notes	73,696	–
Other non-controlling interests	71,481	42,984
	145,177	42,984
	(1,695,532)	718,702

Consolidated Statement of Financial Position

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current Assets			
Investment properties	15	7,243,208	5,426,396
Property, plant and equipment	16	11,160,856	9,690,089
Prepaid lease payments	17	–	483,454
Goodwill	18	68,400	68,400
Interests in associates	19	1,237,775	1,061,726
Interests in joint ventures	20(a)	791,846	661,069
Investment securities	21	492,852	1,081,626
Derivative financial instruments	29	37,222	2,366
Deposits for acquisition of property, plant and equipment		88,045	94,426
Amounts due from associates	46	62,864	66,831
Amounts due from joint ventures	46	58,572	64,808
Amount due from an investee company	46	119,995	119,995
Loan receivables	22	259,651	233,253
Pledged deposits	23	20,409	15,280
Deferred tax assets	37	93,653	49,640
		21,735,348	19,119,359
Current Assets			
Properties for sale	24		
Completed properties		1,966,189	2,754,840
Properties under development		9,983,444	9,695,682
Other inventories		11,146	11,222
Prepaid lease payments	17	–	13,782
Debtors, deposits and prepayments	25	379,091	467,846
Customers' deposits under escrow	26	147,527	196,665
Loan receivables	22	9,269	20,244
Contract assets	27	1,103,698	215,565
Contract costs	28	283,787	360,748
Amounts due from joint ventures	46	349,392	114,494
Amounts due from associates	46	24,717	24,452
Tax recoverable		160,697	68,940
Investment securities	21	2,534,548	3,340,828
Derivative financial instruments	29	–	4,646
Pledged deposits	23	51,600	20,660
Restricted bank deposits	23	120,932	175,725
Deposit in a financial institution	23	6,880	1,561
Bank balances and cash	23	2,911,726	2,470,604
		20,044,643	19,958,504

Consolidated Statement of Financial Position

At 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Current Liabilities			
Creditors and accruals	30	1,264,635	1,531,578
Contract liabilities	31	310,598	974,166
Obligations under finance leases	32	–	6,697
Lease liabilities	34	77,253	–
Amounts due to related companies	46	751	623
Amounts due to associates	46	6,897	28,057
Amounts due to shareholders of non-wholly owned subsidiaries	35	395,126	7,786
Derivative financial instruments	29	3,397	–
Tax payable		368,283	313,698
Bank and other borrowings	33	6,505,953	4,235,896
		8,932,893	7,098,501
Net Current Assets		11,111,750	12,860,003
Total Assets less Current Liabilities		32,847,098	31,979,362
Non-current Liabilities			
Obligations under finance leases	32	–	12,476
Lease liabilities	34	547,086	–
Amount due to a shareholder of a non-wholly owned subsidiary	35	–	392,024
Notes and bonds	36	3,548,124	3,509,499
Bank borrowings	33	13,405,809	13,602,647
Deferred tax liabilities	37	903,317	795,228
Other liabilities		129,028	35,226
		18,533,364	18,347,100
Net Assets		14,313,734	13,632,262
Capital and Reserves			
Share capital	38	236,942	235,169
Share premium		4,534,687	4,479,650
Reserves		6,346,903	8,698,257
Equity attributable to shareholders of the Company		11,118,532	13,413,076
Owners of perpetual capital notes	40	2,904,535	–
Other non-controlling interests		290,667	219,186
		3,195,202	219,186
Total Equity		14,313,734	13,632,262

The consolidated financial statements on pages 119 to 239 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

DAVID CHIU
DIRECTOR

CHEONG THARD HOONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	FVTOCI reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Owners of perpetual capital notes HK$'000	Other non-controlling interests HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2018	230,179	4,297,682	28,458	54,727	-	(28,339)	1,241	(22,170)	1,057,764	7,436,984	13,056,526	-	176,202	176,202	13,232,728
Profit for the year	-	-	-	-	-	-	-	-	-	1,713,659	1,713,659	-	55,066	55,066	1,768,725
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(762,995)	-	-	-	-	(762,995)	-	(12,082)	(12,082)	(775,077)
Fair value adjustment on cross currency swap contracts designated as cash flows hedge	-	-	-	-	-	-	-	23,154	-	-	23,154	-	-	-	23,154
Fair value change on equity instruments at fair value through other comprehensive income	-	-	-	-	(298,100)	-	-	-	-	-	(298,100)	-	-	-	(298,100)
Other comprehensive (expense) income for the year	-	-	-	-	(298,100)	(762,995)	-	23,154	-	-	(1,037,941)	-	(12,082)	(12,082)	(1,050,023)
Total comprehensive (expense) income for the year	-	-	-	-	(298,100)	(762,995)	-	23,154	-	1,713,659	675,718	-	42,984	42,984	718,702
Dividends recognised as distribution (note 13)	-	-	-	-	-	-	-	-	-	(506,247)	(506,247)	-	-	-	(506,247)
Shares issued in lieu of cash dividend	6,202	231,613	-	-	-	-	-	-	-	-	237,815	-	-	-	237,815
Shares issued upon exercise of share options	150	4,917	-	-	-	-	(1,241)	-	-	-	3,826	-	-	-	3,826
Repurchase of ordinary shares	(1,362)	(54,562)	1,362	-	-	-	-	-	-	-	(54,562)	-	-	-	(54,562)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	FVTOCI reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Owners of perpetual capital notes HK$'000	Other non-controlling interests HK$'000	Sub-total HK$'000	Total HK$'000
At 31 March 2019	235,169	4,479,650	29,820	54,727	(298,100)	(791,334)	-	984	1,057,764	8,644,396	13,413,076	-	219,186	219,186	13,632,262
Profit for the year	-	-	-	-	-	-	-	-	-	365,853	365,853	98,564	86,564	185,128	550,981
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,519,702)	-	-	-	-	(1,519,702)	(24,868)	(15,083)	(39,951)	(1,559,653)
Fair value change on equity instruments at fair value through other comprehensive income	-	-	-	-	(402,838)	-	-	-	-	-	(402,838)	-	-	-	(402,838)
Fair value change on debt instruments at fair value through other comprehensive income	-	-	-	-	(255,663)	-	-	-	-	-	(255,663)	-	-	-	(255,663)
Reclassification adjustment on disposal of debt instruments at fair value through other comprehensive income during the year	-	-	-	-	(28,359)	-	-	-	-	-	(28,359)	-	-	-	(28,359)
Other comprehensive expense for the year	-	-	-	-	(686,860)	(1,519,702)	-	-	-	-	(2,206,562)	(24,868)	(15,083)	(39,951)	(2,246,513)
Total comprehensive (expense) income for the year	-	-	-	-	(686,860)	(1,519,702)	-	-	-	365,853	(1,840,709)	73,696	71,481	145,177	(1,695,532)
Dividends recognised as distribution (note 13)	-	-	-	-	-	-	-	-	-	(514,912)	(514,912)	-	-	-	(514,912)
Issuance of perpetual capital notes	-	-	-	-	-	-	-	-	-	-	-	2,830,839	-	2,830,839	2,830,839
Shares issued in lieu of cash dividend	6,040	196,715	-	-	-	-	-	-	-	-	202,755	-	-	-	202,755
Repurchase of ordinary shares	(4,267)	(141,678)	4,267	-	-	-	-	-	-	-	(141,678)	-	-	-	(141,678)
At 31 March 2020	236,942	4,534,687	34,087	54,727	(984,960)	(2,311,036)	-	984	1,057,764	8,495,337	11,118,532	2,904,535	290,667	3,195,202	14,313,734

Other reserve mainly comprise (a) credit balance of HK$1,038,709,000 recognised in respect of the group reorganisation in 1991, representing the excess of the value of the net assets of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition; (b) credit balance of HK$440,192,000 recognised in the year ended 31 March 2010 in respect of the gain on decrease in interest in a former non-wholly owned listed subsidiary, Dorsett Hospitality International Limited ("Dorsett"); (c) a debit balance of HK$3,097,000 and HK$1,416,000 recognised in the year ended 31 March 2013 and 31 March 2017 in respect of the excess of the consideration paid over the net assets attributable to the additional interest in an indirect subsidiary, Care Park Group Pty Limited, acquired; (d) a credit balance of HK$6,415,000 recognised in the year ended 31 March 2014 in respect of the excess of the net assets attributable to the additional interest in an indirect subsidiary, Dorsett, acquired over the consideration; (e) a debit balance of HK$746,000 recognised in the year ended 31 March 2015 in respect of the excess of consideration paid over the net assets attributable to the additional interest in an indirect subsidiary, Dorsett, acquired; (f) credit balance of HK$23,568,000 representing the difference between the Group's interest in the net assets acquired from shareholders of non-wholly owned subsidiaries and the consideration paid for the acquisition of remaining interests in Dorsett and the transfer of the net amount of HK$445,861,000 previously recognised for Dorsett in other reserve, to retained profits arising from the acquisition in the year ended 31 March 2016.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit before tax	**837,321**	2,312,486
Adjustments for:		
Share of results of joint ventures	**(2,878)**	(2,122)
Share of results of associates	**11,485**	(17,803)
Depreciation of property, plant and equipment	**462,467**	407,698
Interest income	**(10,462)**	(16,654)
Finance costs	**468,425**	367,624
Change in fair value of investment properties	**20,865**	(672,530)
Change in fair value of financial assets at FVTPL	**96,854**	63,837
Gain on disposal of debts instruments at FVTOCI	**(28,359)**	–
Change in fair value of derivative financial instruments	**(20,899)**	(144,738)
Gain on dissolution of subsidiaries	**–**	(36,552)
Gain on disposal of associates	**–**	(51,677)
Loss (gain) on disposal of property, plant and equipment	**452**	(509)
Bargain purchase gain	**–**	(108,000)
Allowance for credit loss	**4,990**	12,278
Operating cash flows before movements in working capital	**1,840,261**	2,113,338
Increase in properties for sale	**(107,566)**	(2,896,967)
Increase in other inventories	**(276)**	(2,675)
Increase in loan receivables	**(16,763)**	(161,934)
Increase in derivative financial instruments	**–**	(2,099)
Increase in contract assets	**(1,063,117)**	(215,565)
Decrease in debtors, deposits and prepayments	**55,349**	434,953
Decrease in customers' deposits under escrow	**43,422**	–
Decrease (increase) in investment held for trading	**59,084**	(55,818)
Decrease in creditors and accruals	**(177,250)**	(231,056)
Decrease in contract costs	**19,874**	202,866
Decrease in contract liabilities	**(654,818)**	(545,930)
Cash used in operations	**(1,800)**	(1,360,887)
Income tax paid	**(252,051)**	(268,781)
Net cash used in operating activities	**(253,851)**	(1,629,668)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Investing activities			
Acquisition of subsidiaries, net of bank balances and cash acquired	39(a)	–	(277,327)
Acquisition and development expenditures of property, plant and equipment		(1,409,170)	(1,132,721)
Capital investment in associates		(310,130)	(141,329)
Capital investment in joint ventures		(199,997)	(125,100)
Development expenditures and additional cost of investment properties		(2,075,345)	(553,445)
Acquisition of investment properties through acquisition of subsidiaries, net of bank balances and cash acquired	39(b)	–	(533,493)
Purchase of equity instruments at FVTOCI		–	(1,366,163)
Purchase of equity instruments at FVTPL		(10,372)	–
Placement of structure deposits		–	(166,205)
Withdrawal of structure deposits		–	270,936
Purchase of debt instruments at FVTOCI		(6,987,173)	(2,407,336)
Purchase of investment funds		(629,634)	(1,492,366)
Proceeds from sale of debt instruments at FVTOCI		5,025,722	2,641,401
Proceeds from sale of debt instruments at FVTPL		1,917,049	–
Proceeds from sale of investment funds		1,190,482	1,311,203
Proceeds from disposal of associates		–	51,677
Proceeds from disposal of investments properties		–	49,120
Proceeds from disposal of property, plant and equipment		5,739	711
Placement of pledged deposits		(52,207)	(29,573)
Release of pledged deposits		16,138	15,656
Placement of restricted bank deposits		(11,971)	(175,632)
Release of restricted bank deposits		66,764	1,547,760
Repayment from associates		272	3,298
Advance to joint ventures		(240,257)	(116,193)
Deposit refunded for acquisition of property, plant and equipment		6,381	–
Dividend and distribution received from associates and a joint venture		5,745	41,707
Bank interest received		10,462	16,654
Net cash used in investing activities		(3,681,502)	(2,566,760)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Financing activities		
Advance from shareholders of non-wholly owned subsidiaries	12,164	122,087
Payment for repurchase of shares	(141,678)	(54,562)
Proceeds from issue of shares	–	3,826
Proceeds on issue of notes, net of transaction cost	77,217	–
Repayment of bonds	–	(1,012,905)
New bank and other borrowings raised	10,780,182	11,931,345
Repayments of bank and other borrowings	(7,851,733)	(6,444,568)
Repayments of lease liabilities	(96,494)	–
Repayments of other liabilities	(26,736)	–
Payments of finance lease obligations	–	(5,972)
Advance from (repayment to) related companies	128	(17,691)
(Repayment to) advance from associates	(19,888)	2,509
Advance from other liabilities	122,020	33,109
Issuance of perpetual capital notes, net of transaction cost	2,830,839	–
Repayment to a joint venture	–	(3,177)
Dividends paid	(312,157)	(268,432)
Interest paid	(807,101)	(621,132)
Net cash from financing activities	4,566,763	3,664,437
Net increase (decrease) in cash and cash equivalents	631,410	(531,991)
Cash and cash equivalents brought forward	2,472,165	3,043,562
Effect of foreign exchange rate changes	(184,969)	(39,406)
Cash and cash equivalents carried forward	2,918,606	2,472,165
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,911,726	2,470,604
Deposit in a financial institution	6,880	1,561
	2,918,606	2,472,165

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL

Far East Consortium International Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The ultimate controlling shareholder is Tan Sri Dato' David CHIU. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are together referred to as the Group. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2020 annual report issued by the Company.

The principal activities of the Group are property development, property investment, hotel operations and management, car park operations and facilities management, gaming and related operations and securities and financial product investments. The details of the principal subsidiaries are set out in note 52.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

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

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

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

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

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group applied HKFRS 16 from 1 April 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

For leases that were classified as finance leases before the date of initial application measured under HKAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately. For these leases, the Group accounts for the right-of-use asset and the lease liability applying HKFRS 16 from the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, *Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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

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

HKFRS 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 2.10% to 4.00% in Hong Kong, Shanghai, Singapore, United Kingdom, Hungary, Czech Republic, Australia, New Zealand and Malaysia.

	Note	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019		412,222
Lease liabilities discounted at relevant incremental borrowing rates		350,361
Add: Extension options reasonably certain to be exercised		200,072
Less: Recognition exemption – short-term leases		(9,013)
Recognition exemption – low value assets		(65)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		541,355
Add: Obligations under finance leases recognised at 31 March 2019	(b)	19,173
Lease liabilities as at 1 April 2019		560,528
Analysed as		
Current		41,351
Non-current		519,177
		560,528

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

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

HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		541,355
Reclassified from prepaid lease payments	(a)	497,236
Amounts included in property, plant and equipment under HKAS 17		
– Leasehold lands	(b)	863,769
– Assets previously under finance leases	(c)	23,664
Unfavourable terms of operating leases arising from business combination	(d)	(20,974)
		1,905,050
By class:		
Leasehold lands		1,385,268
Leased properties		496,118
Office equipment		23,664
		1,905,050

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China, Malaysia and Singapore for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$13,782,000 and HK$483,454,000 respectively were reclassified to right-of-use assets.

(b) Leasehold lands in Hong Kong for own used properties were included in property, plant and equipment as at 31 March 2019. Upon application of HKFRS 16, the carrying amount of HK$863,769,000 was reclassified to right-of-use assets.

(c) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$23,664,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$6,697,000 and HK$12,476,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(d) The Group previously recognised other liabilities by applying HKFRS 3 *Business Combinations* relating to unfavourable terms of an operating lease relating to a leasehold land in the Czech Republic. The carrying amount as at 1 April 2019 was derecognised by adjusting the right-of-use assets.

Effective from 1 April 2019, leasehold lands which were classified as properties for sale are measured under HKFRS 16 at cost less accumulated depreciation and any impairment.

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

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

HKFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current Assets				
Property, plant and equipment	(a), (b), (c), (d)	9,690,089	1,017,617	10,707,706
Prepaid lease payments	(a)	483,454	(483,454)	–
Current Assets				
Prepaid lease payments	(a)	13,782	(13,782)	–
Current Liabilities				
Lease liabilities	(a), (c)	–	41,351	41,351
Obligations under finance leases	(c)	6,697	(6,697)	–
Non-current Liabilities				
Lease liabilities	(a), (c)	–	519,177	519,177
Obligations under finance leases	(c)	12,476	(12,476)	–
Other liabilities	(d)	35,226	(20,974)	14,252

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

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

HKFRS 16 Leases (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no material impact on the Group's consolidated statement of financial position at 1 April 2019.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The application has had no material impact on the Group's consolidated statement of financial position at 1 April 2019.

The directors consider the application of HKFRS 16 as a lessor, has had no material impact on the Group's consolidated financial statements for the year ended 31 March 2020.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[5]

1 Effective for annual periods beginning on or after 1 January 2021

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

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

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

5 Effective for annual periods beginning on or after 1 June 2022

6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new HKFRSs and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standard" will be effective for the Group's annual period beginning on 1 April 2020.

Except as mentioned below, the directors of the Company do not anticipate that the application of any of the other new HKFRSs and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements in the foreseeable future.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after first annual reporting period beginning on or after 1 April 2020 with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted after reattribution of relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiaries' net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Acquisition of a subsidiary not constituting a business

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value adjusted to exclude any prepaid or accrued operating lease income. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or capital appreciation rather than for sale in the ordinary course business, which is evidenced by inception of an operating lease to another party. The difference between the fair value and the carrying amount at the date of transfer is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (other than right-of-use assets)

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purpose (other than freehold land and properties under development) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Properties, other than right-of-use assets, in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of property, plant and equipment other than properties under development and construction-in-progress less their residual values over their estimated useful lives, using the straight-line method. No depreciation is provided on buildings and hotel under development which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The Group transfers a property from inventories to property, plant and equipment where there is a change in use, evidenced by intention of owner-occupation rather than for sale in the ordinary course business.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (prior to the application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, intangible assets other than goodwill and contract costs are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets are presented within line item of property, plant and equipment

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the relevant right-of-use asset) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to 1 April 2019)

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

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

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

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

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

Interests in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Properties for sale

Properties for sale consist of completed properties and properties under development. Properties under development which are intended to be sold upon completion of development and completed properties for sale are classified as current assets.

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development and completed properties are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties upon completion.

Other inventories

Other inventories, comprising food and beverage, are stated at the lower of cost and net realisable value. Costs of other inventories are determined on a first-in-first-out basis.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subjects to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade debtors, other receivables, customers' deposits under escrow, amounts due from related companies, debts instruments classified as at FVTOCI, pledged deposits, restricted bank deposits, deposit in a financial institution, bank balances, loan receivables), contract assets and lease receivables which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade debtors, lease receivables and contract assets and the ECL on these assets are assessed based on past due analysis and individually respectively.

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

(i) Significant increase in credit risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subjects to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subjects to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subjects to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

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

- Nature of financial instruments (i.e. the Group's trade and other receivables, loan receivables and customers' deposits under escrow are each considered a separate group with further disaggregation as appropriate.
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors and contract assets, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

A financial instrument issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders is classified as an equity instrument and is initially recorded at the proceeds received.

Perpetual capital notes issued by the Group that have the above characteristics are classified as equity instruments.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

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

Financial liabilities at amortised cost

Financial liabilities including creditors, amounts due to related companies, amounts due to shareholders of non-wholly owned subsidiaries, notes and bonds, bank and other borrowings, and other liabilities are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period with changes in fair value recognising in profit or loss immediately .

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative standalone selling price basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Sales of properties

Revenue from properties sales is recognised over time when the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from properties sales is recognised at a point in time when the completed property is delivered and transferred to customers, being at the point that the customer obtains the control of the completed property.

For the progress towards complete satisfaction of a performance obligation that is recognised over time, revenue is recognised based on the stage of completion of the contract using the input method. The Group's sales contracts with customers include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group receives deposits from customers when they sign the sale and purchase agreement.

Deposits received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

Hotel operations and management, car park operations and facilities management, property management services

As the customers simultaneously receive and consume the benefit provided by the Group's performance as the Group performs, the Group recognises the service fee received or receivable from the customers as its revenue over time based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Gaming and related operations

Gaming revenue is the aggregate net difference between gaming wins and losses. The Group accounts for gaming revenue on a portfolio basis given the similar characteristics of wagers by recognising net win per gaming day.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Gaming and related operations (continued)

Incremental costs of obtaining a contract

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

The Group recognises such costs (property sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items, receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employee are measured at the fair value of the equity instruments at the grant date.

Share options granted to employees

The fair value determined at the grant date of the equity-settled share-based payments equity is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term and other long-term employee benefits

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

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

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

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Critical judgement in applying accounting policies

Revenue recognised from sales of properties over time

Certain revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. Management, in interpreting the applicable laws and exercising its judgements, has identified sales contracts in Singapore and Malaysia has enforceable right to payment for performance completed to date while sales contracts in Hong Kong, PRC, United Kingdom and Australia have no such rights.

Deferred taxation on investment properties

For the purposes of measuring deferred taxes, arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that (a) the Group's investment properties in Hong Kong and Singapore are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, (b) the Group's investment properties in the PRC and Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, except for freehold land in Australia which are recovered entirely through sales. Therefore, in determining the Group's deferred taxation on investment properties in Hong Kong and Singapore, the directors of the Group have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The presumption that the carrying amounts of the Group's investment properties situated on the land in the PRC and Australia are recovered entirely through sale has been rebutted except for freehold land in Australia and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Key sources of estimation uncertainty

Fair value measurement and valuation processes

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities, including the investment properties and financial instruments are disclosed in notes 15 and 49.

Deferred tax

As 31 March 2020, a deferred tax asset of HK$74,837,000 (2019: HK$68,021,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The reliability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Group determine whether deferred tax assets would be recognised based on profit projections of the respective group entities and the expected reversal of taxable temporary differences in the coming years. The Group reviews the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the year in which such a recognition or reversal takes place.

No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

5. CAPITAL RISK MANAGEMENT

It is the Group's policy to maintain a strong capital base so as to safeguard the Group's ability to continue as a going concern and to sustain future development of the Group's business. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which includes bank borrowings, notes and bonds, net of bank balances and cash, restricted bank deposits, pledged deposits, customers' deposits under escrow and deposit in a financial institution), and equity attributable to shareholders of the Company, comprising issued share capital and share premium and retained profits.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall structure through issuance of new shares, raising new debts and repayment of existing debts, if necessary.

6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision makers. Information reported to the Group's chief operating decision makers, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the different management teams of the related business operations by various geographical locations stated as below:

- Property development (including investment properties developed and managed by the same management team)
- Property investment
- Hotel operations and management (including the investment properties which are an integral part of the hotel buildings and which are managed by the hotel management team as well as securities investments made and monitored by the same team)
- Car park operations and facilities management
- Gaming operations (including investment in The Star Entertainment Group which is engaged in the gaming business in Australia and is classified as equity instruments at FVTOCI)
- Securities and financial product investments
- Provision of mortgage services (including securities investments made and monitored by the same team)

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results

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

	Segment revenue		Segment profit (loss)	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Property development				
– Australia	1,368,695	572,064	103,796	133,586
– Hong Kong ("HK")	1,195,573	1,323,178	425,428	357,019
– Malaysia	23,199	20,705	5,831	2,778
– Other regions in People's Republic of China excluding HK ("PRC")	294,960	743,670	308,111	637,132
– Singapore	1,951,357	1,150,194	436,822	235,694
– United Kingdom ("UK")	1,192	1,425	(1,660)	(1,583)
	4,834,976	3,811,236	1,278,328	1,364,626
Property investment				
– Australia	9,669	4,242	28,013	2,241
– HK	39,844	38,276	32,220	191,853
– PRC	16,608	21,572	(20,036)	(12,468)
	66,121	64,090	40,197	181,626
Hotel operations and management				
– Australia	56,215	–	(55,018)	–
– HK	472,195	846,830	(87,042)	228,005
– Malaysia	189,979	227,375	12,798	21,073
– PRC	187,964	263,488	(53,500)	280,889
– Singapore	82,842	93,623	4,101	28,324
– UK	234,891	253,249	68,310	55,031
– Europe (other than UK)	121,448	133,057	(12,500)	6,500
	1,345,534	1,817,622	(122,851)	619,822

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

	Segment revenue		Segment profit (loss)	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Car park operations and facilities management				
– Australia and New Zealand	674,258	668,772	5,048	37,443
– Europe	73,757	43,190	(11,542)	1,805
– Malaysia	11,767	8,496	6,821	7,517
	759,782	720,458	327	46,765
Gaming operations				
– Australia	48,568	62,432	48,549	62,425
– Czech Republic	222,655	196,864	30,685	9,617
	271,223	259,296	79,234	72,042
Securities and financial product investments	136,061	131,715	74,554	64,327
Provision of mortgage services				
– Australia	27,466	34,415	33,571	238,761
– Hong Kong	9,441	3,487	8,835	4,364
	36,907	37,902	42,406	243,125
Segment revenue/segment profit	7,450,604	6,842,319	1,392,195	2,592,333
Bargain purchase gain			–	108,000
Unallocated corporate income and expenses			(86,449)	(20,223)
Finance costs			(468,425)	(367,624)
Profit before tax			837,321	2,312,486
Income tax expense			(286,340)	(543,761)
Profit for the year			550,981	1,768,725

None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer contributed over 10% of the total revenue of the Group.

Segment profit(loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, gain on disposal of associates, gain on dissolution of subsidiaries, bargain purchase gain and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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6. SEGMENT INFORMATION (continued)

(b) Segment assets

The following is an analysis of the Group's assets by reportable segment as at the end of the reporting period. Segment assets represent assets held by each segment without allocation of corporate assets which are mainly bank balances and cash and deposit in a financial institution.

	2020 HK$'000	2019 HK$'000
Property development		
– Australia	6,475,475	5,145,514
– HK	1,891,078	2,521,993
– Malaysia	404,347	524,652
– PRC	2,528,983	2,446,147
– Singapore	5,317,486	5,780,657
– UK	1,845,815	1,117,764
	18,463,184	17,536,727
Property investment		
– Australia	257,809	270,049
– HK	3,870,967	2,464,766
– PRC	4,567	5,566
	4,133,343	2,740,381
Hotel operations and management		
– Australia	1,534,962	1,537,990
– HK	4,357,103	3,236,558
– Malaysia	845,504	851,487
– PRC	1,582,534	2,007,458
– Singapore	758,811	586,652
– UK	1,151,748	1,200,863
– Europe (other than UK)	269,321	290,935
	10,499,983	9,711,943
Car park operations and facilities management		
– Australia and New Zealand	1,398,166	894,177
– Europe	398,331	446,390
– Malaysia	138,384	137,797
	1,934,881	1,478,364

6. SEGMENT INFORMATION (continued)

(b) Segment assets (continued)

	2020 HK$'000	2019 HK$'000
Gaming operations		
– Australia	493,943	1,091,762
– Czech Republic	298,508	308,965
	792,451	1,400,727
Securities and financial product investments	2,230,900	3,019,617
Provision of mortgage services		
– Australia	542,814	478,695
– HK	258,569	233,947
	801,383	712,642
Segment assets	38,856,125	36,600,401
Unallocated corporate assets	2,923,866	2,477,462
Total assets	41,779,991	39,077,863

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the operating location and (ii) the Group's non-current assets by location of assets, excluding investment securities, derivative financial instruments, amounts due from associates, amounts due from joint ventures, amount due from an investee company, loan receivables, pledged deposits and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Australia and New Zealand	2,184,870	1,341,925	4,595,519	3,864,363
Czech Republic	344,103	329,921	533,829	544,063
HK	1,853,114	2,343,485	7,801,882	5,521,502
Malaysia	224,945	256,576	907,434	978,109
PRC	499,532	1,028,730	3,446,615	3,264,554
Singapore	2,034,199	1,243,818	1,789,089	1,704,597
UK	284,080	278,709	1,310,631	1,309,885
Europe (other than UK)	25,761	19,155	205,131	298,487
	7,450,604	6,842,319	20,590,130	17,485,560

6. SEGMENT INFORMATION (continued)

(d) Other information

The following table sets out amounts included in the measure of segment profit or loss or segment assets:

	2020								
	Property development HK$'000	Property investment HK$'000	Hotel operations and management HK$'000	Gaming operations HK$'000	Car park operations and facilities management HK$'000	Securities and financial product investments HK$'000	Provision of mortgage services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:									
Allowance for credit loss	-	(2,732)	(841)	-	(1,417)	-	-	-	(4,990)
Depreciation of properties, plants and equipments	(3,280)	(2,840)	(327,724)	(14,160)	(109,405)	-	-	(5,058)	(462,467)
Change in fair value of investment properties	51,327	(43,398)	(28,794)	-	-	-	-	-	(20,865)
Change in fair value of financial assets at FVTPL	-	-	(7,359)	-	-	(89,495)	-	-	(96,854)
Change in fair value of derivative financial instruments	-	32,857	(8,248)	-	-	(3,710)	-	-	20,899
Share of results of associates	(2,564)	(1,054)	(7,867)	-	-	-	-	-	(11,485)
Share of results of joint ventures	(8,310)	496	-	-	698	-	9,994	-	2,878
Interests in associates	972,895	264,880	-	-	-	-	-	-	1,237,775
Interests in joint ventures	422,983	5,471	225,675	-	1,060	-	136,657	-	791,846
Acquisition in property, plant and equipment	1,102,769	4,687	171,104	-	340,553	-	-	3,280	1,622,393
Investment securities	5	-	21,904	470,944	-	2,150,375	384,172	-	3,027,400
Contract costs	283,787	-	-	-	-	-	-	-	283,787

	2019								
	Property development HK$'000	Property investment HK$'000	Hotel operations and management HK$'000	Gaming operations HK$'000	Car park operations and facilities management HK$'000	Securities and financial product investments HK$'000	Provision of mortgage services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:									
Allowance for credit loss	(410)	(5,632)	(4,097)	-	(2,139)	-	-	-	(12,278)
Depreciation and amortisation	(3,562)	(1,931)	(344,384)	(17,916)	(34,817)	-	-	(5,088)	(407,698)
Change in fair value of investment properties	274,016	117,050	281,464	-	-	-	-	-	672,530
Change in fair value of financial assets at FVTPL	-	-	1,832	-	-	(65,669)	-	-	(63,837)
Change in fair value of derivative financial instruments	-	14,985	8,423	-	-	(2,517)	123,847	-	144,738
Share of results of associates	(2,132)	19,935	-	-	-	-	-	-	17,803
Share of results of joint ventures	893	-	-	-	1,229	-	-	-	2,122
Interests in associates	792,796	268,930	-	-	-	-	-	-	1,061,726
Interests in joint ventures	363,704	-	117,325	-	3,557	-	176,483	-	661,069
Acquisition in property, plant and equipment	30,301	2,541	1,325,189	298,465	63,343	-	-	229	1,720,068
Investment securities	5	-	16,611	1,065,010	-	2,981,450	359,378	-	4,422,454
Contract costs	360,748	-	-	-	-	-	-	-	360,748

Information about segment liabilities are not regularly reviewed by chief operating decision makers. Accordingly, segment liability information is not presented.

7. REVENUE

Revenue represents the aggregate amount of proceeds from sale of properties, gross rental from leasing of properties, income from hotel operations and management, car park operations and facilities management, gaming operations, provision of property management services, interest income and dividend income from financial instruments and other operations as set out as follows:

	2020 HK$'000	2019 HK$'000
Sales of properties	4,776,345	3,755,246
Hotel revenue		
– room revenue	1,107,069	1,512,783
– food and beverage	199,614	243,267
Car park income		
– parking revenue	684,143	634,800
– management fee	76,493	86,698
Gaming revenue	196,554	196,864
Provision of property management services	19,415	24,506
Other operations	12,435	775
Revenue from contracts with customers	7,072,068	6,454,939
Leasing of properties – operating lease (note 15)	157,001	155,331
Loan interest income	9,441	3,487
Interest income and dividend income from financial instruments	212,094	228,562
	7,450,604	6,842,319
Timing of revenue recognition from contracts with customers		
– At a point in time	3,246,164	3,052,838
– Over time	3,825,904	3,402,101
	7,072,068	6,454,939

The disaggregation of revenue by geographical location is consistent with the segment disclosures under note 6.

7. REVENUE (continued)

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

	For the year ended 31 March 2020					
	Segment revenue HK$'000	Leasing of properties and car park income HK$'000	Food and beverage HK$'000	Gaming HK$'000	Interest and dividend income HK$'000	Consolidation HK$'000
Sales of properties	4,834,976	(58,631)	–	–	–	4,776,345
Hotel operations	1,345,534	(52,518)	(193,172)	7,225	–	1,107,069
Car park operations	759,782	854	–	–	–	760,636
Gaming operations	271,223	–	(18,877)	(7,225)	(48,567)	196,554
Provision of property management services	–	19,415	–	–	–	19,415
Food and beverage	–	–	199,614	–	–	199,614
Other operations	–	–	12,435	–	–	12,435
	7,211,515	(90,880)	–	–	(48,567)	7,072,068
Revenue from contracts with customers						
Leasing of properties	66,121	90,880	–	–	–	157,001
Provision of mortgage services	36,907	–	–	–	(27,466)	9,441
Interest income and dividend income from financial instruments	136,061	–	–	–	76,033	212,094
Total revenue	7,450,604	–	–	–	–	7,450,604

	For the year ended 31 March 2019				
	Segment revenue HK$'000	Leasing of properties and car park income HK$'000	Food and beverage HK$'000	Interest and dividend income HK$'000	Consolidation HK$'000
Sales of properties	3,811,217	(55,971)	–	–	3,755,246
Hotel operations	1,817,622	(60,816)	(244,023)	–	1,512,783
Car park operations	720,458	1,040	–	–	721,498
Gaming operations	259,296	–	–	(62,432)	196,864
Provision of property management services	–	24,506	–	–	24,506
Food and beverage	–	–	243,267	–	243,267
Other operations	19	–	756	–	775
	6,608,612	(91,241)	–	(62,432)	6,454,939
Revenue from contracts with customers					
Leasing of properties	64,090	91,241	–	–	155,331
Provision of mortgage services	37,902	–	–	(34,415)	3,487
Interest income and dividend income from financial instruments	131,715	–	–	96,847	228,562
Total revenue	6,842,319	–	–	–	6,842,319

7. REVENUE (continued)

Performance obligations for contracts with customers

Sales of properties recognised at point in time

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers other than sales of properties in Singapore and Malaysia. Revenue from sales of such residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

In different location, the Group receives 5% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits result in contract liabilities being recognised throughout the property construction period.

The Group considers the deposits do not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money.

Sales of properties recognised over time

Revenue from sales of properties in Singapore and Malaysia is recognised over time because the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Revenue for these sales of properties is recognised based on the stage of completion of the contract using input method.

The Group's sales contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 20% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

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

7. REVENUE (continued)

Performance obligations for contracts with customers (continued)

Hotel revenue

The hotel room revenue from customers are recognised over time using output method when the service and facilities are provided. The Group allows an average credit period is not more than 30 days to travel agents and corporate customers.

Car park income

The car park revenue from customers are recognised over time using output method when the service and facilities are provided.

Gaming revenue

Gaming revenue is the aggregate net difference between gaming wins and losses.

Provision of property management services

Revenue from property management service is recognised over time as income when the services and facilities are provided.

Food and beverage

For income from food and beverages, revenue is recognised when the food and beverage are delivered to the customer.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at the reporting period and the expected timing of recognising revenue are as follow:

	Sales of properties	
	2020 **HK$'000**	2019 HK$'000
Within one year	**4,483,934**	3,121,906
More than one year but not more than two years	**1,808,038**	5,426,810
More than two years	**8,566,966**	6,176,401
	14,858,938	14,725,117

The amount disclosed above do not include contracts for property management services and car park management fee in which the Group bills a fixed amount each month according to the terms.

As at 31 March 2020 and 31 March 2019, contracts with customers with unsatisfied performance obligations for the income from gaming operations, hotel revenue, parking revenue have original expected duration of one year or less.

Lease revenue

During the years ended 31 March 2020 and 2019, all income from lease of properties are fixed lease payments.

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Change in fair value of investment properties	(20,865)	672,530
Change in fair value of financial assets at FVTPL	(96,854)	(63,837)
Gain on disposal of debts instruments at FVTOCI	28,359	–
Change in fair value of derivative financial instruments	20,899	144,738
Net foreign exchange gains	58,386	41,027
Gain on disposal of associates	–	51,677
Gain on dissolution of subsidiaries	–	36,552
Allowance for credit loss	(4,990)	(12,278)
(Loss) gain on disposal of property, plant and equipment	(452)	509
Bargain purchase gain (note 39(a))	–	108,000
	(15,517)	978,918

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
Bank borrowings	613,220	550,497
Other loans	18,857	21,955
Interest on lease liabilities	20,950	–
Interest on notes and bonds	148,555	143,768
Amortisation of front-end fee	17,620	11,527
Others	20,369	32,528
Total interest costs	839,571	760,275
Less: amounts capitalised to:		
– properties for sale (properties under development)	(343,678)	(337,388)
– owners' occupation (property, plant and equipment)	(27,468)	(55,263)
	468,425	367,624

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 2.04% to 4.0% (2019: 1.99% to 4.50%) per annum to expenditure on the qualifying assets.

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	83,608	78,970
PRC Enterprise Income Tax ("PRC EIT")	54,819	92,045
PRC Land Appreciation Tax ("PRC LAT")	40,015	94,226
Australia Income Tax	17,141	16,685
Malaysia Income Tax	4,780	4,049
Singapore Income Tax	6,507	5,241
UK Income Tax	–	8,293
Czech Republic Income Tax	6,421	4,528
	213,291	304,037
Under(over)provision in prior years:		
Hong Kong Profits Tax	318	17,934
PRC EIT	31,958	10,890
Australia Income Tax	(8,279)	(2,038)
Malaysia Income Tax	149	182
UK Income Tax	(8,282)	–
Singapore Income Tax	24	3
	15,888	26,971
Deferred taxation (note 37)	57,161	212,753
	286,340	543,761

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC EIT is calculated in accordance with the EIT Law and Implementation Regulations of the EIT Law at the rate of 25% for both years.

PRC LAT is levied at the deemed levying rates in accordance with the relevant PRC tax laws and regulations.

The domestic statutory tax rate of Australia, Malaysia, Singapore, UK and Czech Republic is 30%, 24%, 17%, 19% and 19% of the estimated assessable profits for both years, respectively.

10. INCOME TAX EXPENSE (continued)

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

	Hong Kong HK$'000	PRC HK$'000	Australia HK$'000	Malaysia HK$'000	Singapore HK$'000	Others HK$'000	Consolidated HK$'000
2020							
Profit before tax	44,707	204,163	87,035	17,704	421,045	62,667	837,321
Applicable income tax rate	16.5%	25%	30%	24%	17%	19% to 30%	
Tax at the applicable income tax rate	7,377	51,041	26,110	4,249	71,578	12,391	172,746
Tax effect of expenses not deductible for tax purpose	83,289	5,141	8,564	2,205	13,280	7,001	119,480
Tax effect of income not taxable for tax purpose	(37,170)	(1,187)	(2,513)	(568)	(13,846)	(1,640)	(56,924)
PRC LAT	–	40,015	–	–	–	–	40,015
Tax effect of deductible temporary difference not recognised	–	–	5,907	–	–	–	5,907
Utilisation of tax losses previously not recognised	(4,031)	–	(262)	–	–	(8,663)	(12,956)
Tax effect of PRC LAT	–	(10,002)	–	–	–	–	(10,002)
Utilisation of deductible temporary differences previously not recognised	(4,239)	–	–	(2,256)	–	–	(6,495)
Tax effect of tax losses not recognised	26,182	17,117	–	356	1,660	81	45,396
Tax effect of share of results of associates	1,472	–	769	–	–	–	2,241
Tax effect of share of results of a joint venture	(82)	–	(715)	–	–	–	(797)
Recognition of tax effect of PRC LAT previously not recognised	–	(31,958)	–	–	–	–	(31,958)
(Over)underprovision in prior years	318	31,958	(8,279)	149	24	(8,282)	15,888
Others	(508)	(1,400)	(2,593)	1,575	7,044	(319)	3,799
Income tax expense for the year	72,608	100,725	26,988	5,710	79,740	569	286,340

	Hong Kong HK$'000	PRC HK$'000	Australia HK$'000	Malaysia HK$'000	Singapore HK$'000	Others HK$'000	Consolidated HK$'000
2019							
Profit before tax	571,958	895,395	464,169	19,176	187,566	174,222	2,312,486
Applicable income tax rate	16.5%	25%	30%	24%	17%	19% to 30%	
Tax at the applicable income tax rate	94,373	223,849	139,251	4,602	31,886	33,984	527,945
Tax effect of expenses not deductible for tax purpose	55,622	11,308	30,710	2,275	9,430	1,546	110,891
Tax effect of income not taxable for tax purpose	(64,425)	(10,236)	(93,818)	(605)	(2,283)	(25,041)	(196,408)
PRC LAT	–	94,226	–	–	–	–	94,226
Utilisation of tax losses previously not recognised	(19,204)	(1,589)	(212)	–	(430)	–	(21,435)
Tax effect of PRC LAT	–	(23,557)	–	–	–	–	(23,557)
Tax effect of taxable temporary difference previously not recognised	–	13,538	132	–	–	–	13,670
Utilisation of tax effect of deductible temporary differences previously not recognised	(1,022)	–	–	(2,071)	–	–	(3,093)
Tax effect of tax losses not recognised	13,495	12,265	–	455	–	–	26,215
Tax effect of share of results of associates	(3,289)	–	640	–	–	–	(2,649)
Tax effect of share of results of a joint venture	(350)	–	–	–	–	–	(350)
Recognition of deferred tax assets for unused tax losses	(10,000)	–	–	–	–	–	(10,000)
(Over)underprovision in prior years	17,934	10,890	(2,038)	182	3	–	26,971
Others	(21)	(1,789)	842	(223)	(1,714)	4,240	1,335
Income tax expense for the year	83,113	328,905	75,507	4,615	36,892	14,729	543,761

Details of the deferred taxation are set out in note 37.

11. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging:		
Cost of properties sold recognised as an expense		
– Overtime	1,443,992	854,492
– At point of time	1,973,078	1,589,434
	3,417,070	2,443,926
Auditor's remuneration	13,384	16,261
Depreciation of property, plant and equipment (including depreciation of leased properties of HK$89,931,000 (2019: Nil))	462,467	397,311
Amortisation of prepaid lease payments	–	10,387
Amortisation of contract cost	148,200	94,781
Staff costs (included HK$480,089,000 (2019: HK$477,927,000) in cost of sales and services)		
– Directors' emoluments (note 14(a))	23,210	20,788
– Other staffs	861,816	872,819
	885,026	893,607
Share of taxation of associates (included in share of results of associates)	1,337	1,556
and after crediting:		
Rental income, net of outgoings of HK$42,731,000 (2019: HK$30,758,000)	115,014	124,573
Bank interest income	10,462	16,654

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the consolidated profit for the year attributable to the shareholders of the Company of HK$365,853,000 (2019: HK$1,713,659,000) and the number of shares calculated as follows:

	2020 HK$'000	2019 HK$'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,358,214	2,317,488
Effect of dilutive potential ordinary shares		
– Company's share options	–	391
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,358,214	2,317,879

13. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
2020 interim dividend of HK4.0 cents per share (2019: 2019 interim dividend of HK4.0 cents per share)	94,843	93,491
2019 final dividend of HK18.0 cents per share (2019: 2018 final dividend of HK18.0 cents per share)	420,069	412,756
	514,912	506,247

The 2020 interim dividend and 2019 final dividend was declared in form of a scrip dividend to shareholders who were given an option to elect to receive cash in lieu of all or part of their scrip dividend at a share price of HK$3.766 and HK$3.276 per share respectively. Shares are issued during the year on the shareholders' election for shares are set out in note 38. These new shares rank pari passu to the existing shares of the Company.

A final dividend for the year ended 31 March 2020 of HK15.0 cents (2019: HK18.0 cents) per share, totalling of HK$353,732,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

The emoluments paid and payable to each of the directors and chief executive of the Company for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance ("CO"), is as follows:

Name of directors	Fees HK$'000	Salaries, bonuses and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2020				
Executive Directors:				
David CHIU	25	2,040	2	2,067
Dennis CHIU	25	2,673	–	2,698
Craig Grenfell WILLIAMS	25	3,359	129	3,513
Cheong Thard HOONG	25	9,814	18	9,857
Wing Kwan Winnie CHIU (appointed on 3 June 2019)	21	4,414	18	4,453
Independent Non-executive Directors:				
Kwok Wai CHAN	220	–	–	220
Lai Him Abraham SHEK (appointed on 3 June 2019)	182	–	–	182
Kwong Siu LAM	220	–	–	220
	743	22,300	167	23,210

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' and chief executive's emoluments (continued)

Name of directors	Fees HK$'000	Salaries, bonuses and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2019				
Executive Directors:				
David CHIU	25	2,120	12	2,157
Dennis CHIU	25	2,912	4	2,941
Craig Grenfell WILLIAMS	25	5,124	145	5,294
Cheong Thard HOONG	25	9,693	18	9,736
Independent Non-executive Directors:				
Kwok Wai CHAN	220	–	–	220
Peter Man Kong WONG (deceased on 11 March 2019)	220	–	–	220
Kwong Siu LAM	220	–	–	220
	760	19,849	179	20,788

Tan Sri Dato' David CHIU is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

The fee paid or payable to Executive Directors and Independent Non-executive Directors shown above were mainly for their services in connection with their services as directors of the Company.

The salaries, bonuses, other benefits and retirement benefits scheme contributions paid or payable to Executive Directors shown above were mainly for their services in connection with the management of the affairs of the Group.

Performance related incentive payment was paid/payable to Cheong Thard HOONG of HK$1,211,600 (2019: HK$1,159,400) and Craig Grenfell WILLIAMS of HK$1,195,000 (2019: HK$2,887,500) respectively and included in salaries and other benefits, which was determined with reference to their performances.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 March 2020 and 31 March 2019.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2019: three) were directors whose emoluments are disclosed above. The remuneration of the remaining one (2019: two) individual is as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	3,505	6,461
Retirement benefits scheme contributions	120	36
	3,625	6,497

The emolument of highest paid employee who is not a director of the Company was within the following band:

	2020 Number of employee	2019 Number of employee
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$4,000,000	1	1
	1	2

No emolument was paid to the directors and the highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

15. INVESTMENT PROPERTIES

	Completed properties HK$'000	Properties under development HK$'000	Total HK$'000
At 1 April 2018	3,229,437	–	3,229,437
Additions	51,909	501,536	553,445
Acquired on acquisition of subsidiaries	1,132,950	–	1,132,950
Reclassify from completed properties for sale	16,343	–	16,343
Disposals	(49,120)	–	(49,120)
Increase in fair value	671,916	614	672,530
Exchange alignment	(112,589)	(16,600)	(129,189)
At 31 March 2019	4,940,846	485,550	5,426,396
Additions	8,558	2,066,787	2,075,345
Reclassify from completed properties for sale	52,644	–	52,644
(Decrease) increase in fair value	(63,390)	42,525	(20,865)
Exchange alignment	(233,072)	(57,240)	(290,312)
At 31 March 2020	4,705,586	2,537,622	7,243,208

15. INVESTMENT PROPERTIES (continued)

The Group leases out various offices and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 18 years. The rental payment of leases of offices and retail stores are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

During the year ended 31 March 2020, the Group transferred certain completed properties for sale to investment properties at fair value of HK$52,644,000 (2019: completed properties for sale to investment property of fair value HK$16,343,000).

For the year ended 31 March 2020, the total cash outflow for acquiring leasehold land included in investment properties amounted to HK$2,066,787,000.

The fair value of the completed investment properties in Hong Kong and outside Hong Kong at 31 March 2020, 31 March 2019 and at the date of transfer have been arrived at on the basis of a valuation carried out on those date by the following independent firm of qualified professional valuers not connected to the Group:

Location of the investment properties	Independent qualified professional valuers	Qualification
Australia	CBRE Valuations Pty Limited Colliers International (WA) Pty Ltd	Member of the Australian Property Institute
HK/PRC	Cushman & Wakefield Limited Knight Frank Petty Ltd.	Member of the Hong Kong Institute of Surveyors
Singapore	Savills Valuation and Professional Services (S) Pte. Ltd. Knight Frank Pte. Ltd.	Member of the Singapore Institute of Surveyors and Valuers

15. INVESTMENT PROPERTIES (continued)

In determining the fair value of the relevant properties, the Group engages independent qualified professional valuers ("Valuers") to perform the valuation. The management of the Company works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Company report the findings of the valuation to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The valuation of the completed investment properties, which falls under level 3 of the fair value hierarchy, was arrived at by reference to market unit rates which represent market evidence of transaction prices for similar properties at similar locations or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, the market rentals of all lettable units of the properties are made reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted for the valuer's knowledge of factors specific to the respective properties.

For investment properties under construction or development, which falls under level 3 of the fair value hierarchy, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

The fair value measurement of Group's major investment properties and information about the fair value hierarchy at 31 March 2020 and 31 March 2019 are as follows:

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and market rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value of the investment properties, and vice versa.

The key inputs used in valuing the investment properties under the direct comparison approach under the residual value approach were the market unit rate and gross development value respectively. A significant increase in the market unit rate and gross development value would result in a significant increase in the fair value of the investment properties and investment properties under development respectively, and vice versa.

15. INVESTMENT PROPERTIES (continued)

Details of the significant unobservable input are as follows:

Class of property	Carrying amount 2020 HK$'000	2019 HK$'000		
Completed investment properties				
Income capitalisation approach			Capitalisation rates	Market rent
Office portion in HK	504,800	508,200	2.125% – 2.375% per annum (2019: 2% to 2.375% per annum)	HK$29 to HK$40 per square foot (2019: HK$29 to HK$41.3 per square feet)
Retail portion in HK	1,268,329	1,300,174	2.5% – 3.5% per annum (2019: 2.5% to 3.5% per annum)	HK$13.5 to HK$207 per square foot (2019: HK$14 to HK$243.5 per square feet)
Car park in HK	8,500	–	3.2% per annum	HK$1,500 per car park
Retail portion in the PRC	1,328,710	1,433,250	4.5% – 6.5% per annum (2019: 4.5% to 6.5% per annum)	Renminbi ("RMB") 37 to RMB266 per square metre (2019: RMB37 to RMB266 per square metre)
Office portion in the PRC	49,050	60,840	4.5% per annum (2019: 4.5% per annum)	RMB56 per square metre (2019: RMB56 per square metre)
Retail portion in Australia	257,809	270,049	4.5% to 12.5% per annum (2019: 4.5% to 12.5% per annum)	Australian Dollar ("A$") 500 to A$6,000 per square metre (2019: A$711 to A$2,200 per square metre)
Direct comparison approach				Market unit rate
Car park in the PRC	92,650	86,580	N/A	RMB262,000 to RMB263,000 per car park (2019: RMB262,000 per car park)
Retail portion in Singapore	132,980	148,803	N/A	Singapore Dollar ("S$") 38,006 per square metre (2019: S$40,031 per square metre)
Residential in Singapore	1,062,758	1,132,950	N/A	S$42,873 per square metre (2019: S$42,871 per square metre)
	4,705,586	4,940,846		

15. INVESTMENT PROPERTIES (continued)

Class of property	Carrying amount 2020 HK$'000	2019 HK$'000		
Investment properties under development measured at fair value				Gross development value
Residential value approach				
Office, retail and carpark in HK	1,430,182	–	N/A	Gross development value of HK$15,500 per square foot for office Gross development value of HK$22,000 per square foot for retail Gross development value of HK$1,900,000 per car park
Residential in the PRC	1,107,440	485,550	N/A	Gross development value of RMB8,040 to RMB8,050 per square metre (2019: RMB7,756 per square metre)
	2,537,622	485,550		

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands HK$'000	Leased properties HK$'000	Owned Properties Completed HK$'000	Owned Properties Under development HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Total HK$'000
COST						
At 1 April 2018	–	–	8,396,982	283,415	1,479,593	10,159,990
Additions	–	–	95,651	1,035,512	62,971	1,194,134
Acquired on acquisition of subsidiaries	–	–	525,934	–	–	525,934
Transfer from properties under development for sales	–	–	–	446,557	–	446,557
Disposals	–	–	–	–	(4,517)	(4,517)
Exchange alignment	–	–	(189,341)	(59,244)	(58,447)	(307,032)
At 31 March 2019	–	–	8,829,226	1,706,240	1,479,600	12,015,066
Adjustments upon application of HKFRS 16	1,597,510	496,118	(1,076,011)	–	–	1,017,617
At 1 April 2019 (restated)	1,597,510	496,118	7,753,215	1,706,240	1,479,600	13,032,683
Additions	1,047,842	213,223	252,928	4,672	103,728	1,622,393
Transfer upon completion	–	–	975,424	(975,424)	–	–
Disposals	–	–	–	–	(9,387)	(9,387)
Exchange alignment	(40,955)	(85,043)	(592,308)	(73,130)	(87,507)	(878,943)
At 31 March 2020	2,604,397	624,298	8,389,259	662,358	1,486,434	13,766,746
DEPRECIATION AND IMPAIRMENT						
At 1 April 2018	–	–	1,286,867	–	698,119	1,984,986
Provided for the year	–	–	219,581	–	177,730	397,311
Disposals	–	–	–	–	(4,315)	(4,315)
Exchange alignment	–	–	(25,638)	–	(27,367)	(53,005)
At 31 March 2019	–	–	1,480,810	–	844,167	2,324,977
Adjustments upon application of HKFRS 16	212,242	–	(212,242)	–	–	–
At 1 April 2019 (restated)	212,242	–	1,268,568	–	844,167	2,324,977
Provided for the year	42,760	89,931	214,050	–	115,726	462,467
Disposals	–	–	–	–	(3,196)	(3,196)
Exchange alignment	(8,954)	(8,047)	(77,614)	–	(83,743)	(178,358)
At 31 March 2020	246,048	81,884	1,405,004	–	872,954	2,605,890
CARRYING VALUES						
At 31 March 2020	2,358,349	542,414	6,984,255	662,358	613,480	11,160,856
At 31 March 2019	–	–	7,348,416	1,706,240	635,433	9,690,089

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The owned properties are depreciated on a straight-line basis over their useful lives ranging from 25 to 50 years or the remaining term of the lease of land, whichever is the shorter. The leasehold lands and leased properties are depreciated over the terms of the leases. Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum. No depreciation is provided on freehold land and buildings under development.

The Group is in the process of obtaining the title of certain completed hotel properties located outside Hong Kong with carrying amount of HK$109,069,000 (2019: HK$111,058,000).

In addition, the Group owns several hotels and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leasehold lands HK$'000	Leased properties HK$'000	Office equipment HK$'000	Total HK$'000
As at 1 April 2019				
Carrying amount	1,385,268	496,118	23,664	1,905,050
As at 31 March 2020				
Carrying amount	2,358,349	542,414	21,000	2,921,763
For the year ended 31 March 2020				
Depreciation charge	42,760	89,931	2,664	135,355
Expense relating to short-term leases				18,862
Additions to right-of-use assets				1,261,065
Total cash outflow for leases				1,163,198

The Group leases various car parks, offices, land and office equipment for its operations. Lease contracts are entered into for fixed term of 1 to 66 years. The Group has extension options in a number of leases for car parks. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors. The Group assessed that it is reasonably certain to exercise the extension options of a majority of the car parks at the date of initial application of HKFRS 16. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group as lessee (continued)

Right-of-use assets (included in the property, plant and equipment) (continued)

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group. During the year ended 31 March 2020, there is no such triggering event.

The Group regularly entered into short-term leases for slot machines for gaming, motor vehicles and office equipment. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of leases for which short-term lease expense was recognised during the current year.

17. PREPAID LEASE PAYMENTS

	2019 HK$'000
Balance at beginning of the year	533,321
Amortisation	(10,387)
Exchange alignment	(25,698)
Balance at end of the year	497,236
The carrying value represents leasehold land outside HK:	
Long-term leases with lease period of 99 years	283,569
Medium-term leases with lease period of 35 years	213,667
	497,236

	2019 HK$'000
Analysed for reporting purposes as:	
Non-current asset	483,454
Current asset	13,782
	497,236

Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$13,782,000 and HK$483,454,000 respectively were reclassified to right-of-use assets.

18. GOODWILL

Goodwill arose from the acquisition of 73.75% equity interest in certain subsidiaries, which are engaged in car park operations, in previous year.

The management determines that there is no impairment on the carrying amount of the goodwill based on the estimated cash generated from the car park operations in Australia. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-years period, and at a discount rate of 17% (2019: 17%) per annum. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeding its recoverable amount.

19. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Unlisted investments, at cost	1,009,870	824,459
Share of post-acquisition results, net of dividends received	227,905	237,267
	1,237,775	1,061,726

Particulars of principal associates, which are incorporated and operating in Hong Kong except otherwise indicated, at the end of the reporting period are as follows:

Name of associate	Class of shares held	Registered capital/ Proportion of nominal value of issued capital held by the Company indirectly 2020	2019	Principal activities
Bermuda Investments Limited	Ordinary	25%	25%	Property investment
Omicron International Limited*	Ordinary	30%	30%	Investment holding
Peacock Estates Limited	Ordinary	25%	25%	Property investment
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd+	Ordinary	25%	25%	Property development and investment

* Incorporated in the British Virgin Islands and operating in HK
\+ Incorporated and operating in Australia

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates

Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd ("DBC") is regarded as the material associate of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this associate is set out below and represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

The summarised financial information regarding the assets and liabilities of DBC for the year ended 31 March 2020 was as follows:

	2020 HK$'000	2019 HK$'000
Current assets	734,356	742,238
Non-current assets	3,621,199	2,856,811
Current liabilities	(302,172)	(121,389)
Non-current liabilities	(158,586)	(317,476)

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Loss after tax	(11,855)	(4,874)
Total comprehensive expense for the year	(11,855)	(4,874)

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

	2020 HK$'000	2019 HK$'000
Net assets of the associate	3,894,797	3,160,184
Proportion of the Group's ownership interest in the associate	25%	25%
Carrying amount of the Group's interest in the associate	973,699	790,046

Aggregate information of associates that are not individually material:

	2020 HK$'000	2019 HK$'000
The Group's share of (loss) profit after tax	(8,521)	19,022
The Group's share of total comprehensive (expense) income	(8,521)	19,022
Aggregate carrying value of the Group's interest in these associates	264,076	271,680

19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

The Group has discontinued to recognise its share of losses of certain associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2020 HK$'000	2019 HK$'000
The unrecognised share of losses for the year	–	–
Cumulative unrecognised share of losses	(51,153)	(51,153)

20. INTERESTS IN JOINT VENTURES

(a) Joint ventures

	2020 HK$'000	2019 HK$'000
Unlisted investments, at cost	785,333	655,059
Share of post-acquisition results, net of dividends/ distributions received	6,518	6,015
Less: impairment	(5)	(5)
	791,846	661,069

Particulars of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of entity	Country of registration/ incorporation and operation	Proportion of registered capital held by the Company indirectly 2020	2019	Principal activities
Guangdong Xin Shi Dai Real Estate Limited	PRC	50%	50%	Property development
QWB Residential Precinct Holdings Pty Ltd	Australia	50%	50%	Property development and investment
BC Group Holdings Limited	Cayman Islands	50.66%	50.66%	Provision of mortgage services
Destination Gold Coast Consortium Pty Ltd	Australia	33%	33%	Hotel management
Destination Gold Coast Investments Pty Ltd	Australia	25%	25%	Hotel management
Cuscaden Homes Pte Limited	Singapore	10%	10%	Hotel management

The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities required unanimous consent of the Group and the other joint venturers. Accordingly, these investments are accounted for as joint ventures.

20. INTERESTS IN JOINT VENTURES (continued)

(a) Joint ventures (continued)

Summarised financial information of material joint ventures

(i) QWB Residential Precinct Holdings Pty Limited (the "QWB Residential") is regarded as a material joint venture of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this joint venture is set out below and represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

The summarised financial information regarding the assets and liabilities of QWB Residential for the year ended 31 March 2020 was as follows:

	2020 HK$'000	2019 HK$'000
Current assets	14,357	14,997
Non-current assets	460,888	426,736
Current liabilities	(61,521)	(12,073)
The above amounts of assets include the following:		
Cash and cash equivalents	11,498	14,257
Revenue	–	–
Loss after tax	(5)	–
Total comprehensive expense for the year	(5)	–

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

	2020 HK$'000	2019 HK$'000
Net assets of the joint venture	413,724	429,660
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	206,862	214,830

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20. INTERESTS IN JOINT VENTURES (continued)

(a) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

(ii) BC Group Holdings Limited ("BC Group") is regarded as a material joint venture of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this joint venture is set out below and represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

The summarised financial information regarding the assets and liabilities of BC Group for the year ended 31 March 2020 was as follows:

	2020 HK$'000	2019 HK$'000
Current assets	474,213	338,519
Non-current assets	4,753,373	3,553,987
Current liabilities	(133,217)	(114,458)
Non-current liabilities	(5,007,269)	(3,731,390)
The above amounts of assets and (liabilities) include the following:		
Cash and cash equivalents	369,572	268,774
Loan receivables	4,657,899	3,488,280
Notes	(4,972,163)	(3,685,180)
Revenue	119,093	4,145
Expenses	(100,236)	(9,285)
Income tax expense	(10,395)	–
Profit (loss) and total comprehensive income (expense) for the year	8,462	(5,140)

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

	2020 HK$'000	2019 HK$'000
Net assets of the joint venture	87,100	46,658
Proportion of the Group's ownership interest in the joint venture	50.66%	50.66%
The Group's share of net assets of the joint venture	44,125	23,637
Goodwill	142,336	142,336
Carrying amount of the Group's interest in the joint venture	186,461	165,973

20. INTERESTS IN JOINT VENTURES (continued)

(a) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

(iii) Aggregate information of joint ventures that are not individually material:

	2020 HK$'000	2019 HK$'000
The Group's share of loss after tax	(1,409)	–
The Group's share of total comprehensive expense	(1,409)	–
Aggregate carrying value of the Group's interest in these joint ventures	398,523	280,266

(b) Joint operation

(i) During the year ended 31 March 2015, a subsidiary of the Group as developer (the "Developer") has entered into development agreement ("Agreement") with Urban Renewal Authority ("URA") in form of joint operation to engage in residential/commercial property development and sales in Hong Kong. Under the Agreement, the Developer is mainly responsible for the development of the project. Units in the development will be sold or disposed of by URA in accordance with the terms and conditions of the Agreement and sales proceeds arising therefrom will be distributed between URA and the Developer pursuant to the terms and conditions of the Agreement.

The material amounts included in the consolidated financial statements arising from the joint operation are as follow:

	2020 HK$'000	2019 HK$'000
Analysis of financial position:		
Properties for sales/under development of sales	24,365	258,667
Deposit receivable from stakeholders	25	47,894
Account payables, other payables and accruals	(10,765)	(18,439)
Analysis of profit or loss:		
Revenue	421,115	–
Cost of sales	(246,758)	–

20. INTERESTS IN JOINT VENTURES (continued)

(b) Joint operation (continued)

(ii) During the year ended 31 March 2012, the Group entered into an agreement with a related company to jointly develop certain portion of the Group's freehold land with fair value, as agreed between the parties, of Malaysian Ringgit ("MYR") 65,000,000. The related company is responsible for the provision of technical, commercial and financial management of the development on the land and marketing the properties on completion of their development and bears all the related cost and expenses of the development. The development activities and the sales of the completed properties are directed by the related company's board of directors, of which the Group and the related company have equal number of representatives throughout the joint operation period. The Group and the related company will share the profit or loss (representing revenue from sale less the fair value of the land, development costs and marketing expenses of the completed properties) from the development on a 50:50 basis.

Assets with a carrying amount of MYR8,800,000, equivalent to HK$15,816,000 (2019: MYR8,800,000, equivalent to HK$16,965,000) are recognised in the consolidated financial statements as at 31 March 2020 in relation to the joint operations, representing the cost of the freehold land and included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.

21. INVESTMENT SECURITIES

	2020 HK$'000	2019 HK$'000
(i) Financial assets at FVTPL		
(a) Investments held for trading		
Listed equity securities	**20,790**	79,874
(b) Debt instruments at FVTPL		
Listed debt securities	**474,634**	2,076,376
Unlisted debt securities	**242,602**	409,959
	717,236	2,486,335
(c) Equity instruments at FVTPL		
Unlisted equity securities	**21,909**	14,483
(d) Investment funds	**215,302**	774,618
(ii) Financial assets at FVTOCI		
(a) Debt instruments at FVTOCI		
Listed debt securities	**1,435,031**	–
Unlisted debt securities	**146,189**	–
	1,581,220	–
(b) Equity instruments at FVTOCI		
Unlisted equity securities	**–**	2,133
Equity securities listed overseas	**470,943**	1,065,011
	470,943	1,067,144
Total	**3,027,400**	4,422,454

	2020 HK$'000	2019 HK$'000
Analysed for reporting purposes as:		
Non-current assets	**492,852**	1,081,626
Current assets	**2,534,548**	3,340,828
	3,027,400	4,422,454

Other than the investment held for trading, the classification of investment securities under current and non-current is based on the realisation plan of the investment securities protected by the management taking into consideration of the Group's cash needs in coming next twelve months.

Investment securities that are denominated in A$, Euro ("EUR"), British Pounds ("GBP"), United States Dollar ("US$") and S$, amounted to A$13,488,000 (equivalent to HK$448,644,000) (2019: A$68,315,000 (equivalent to HK$379,831,000)), EUR17,446,000 (equivalent to HK$148,979,000) (2019: EUR9,669,000 (equivalent to HK$84,994,000)), GBP6,670,000 (equivalent to HK$63,834,000) (2019: GBP10,258,000 (equivalent to HK$104,630,000)), US$228,755,000 (equivalent to HK$1,770,564,000) (2019: US$323,485,000 (equivalent to HK$2,536,122,000 and S$14,880,000 (equivalent to HK$80,971,000) (2019: S$2,000,000 (equivalent to HK$11,580,000)) respectively. All other investment securities are denominated in functional currency of the respective group entities.

22. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loan receivables	268,920	253,497
Less: Amount due within one year and classified under current assets	(9,269)	(20,244)
Amount due after one year	259,651	233,253

Loan receivables represent mortgage loans secured by the properties of the borrowers.

Included in loan receivables is an amount of HK$8,330,000 (2019: HK$170,829,000) which bear interest ranging at prime rate minus 1.5% for first two years and prime rate plus 0.5% for the remaining period; an amount of HK$23,987,000 (2019: HK$46,750,000) are interest-free for the first 3 years and bear interest at prime rate per annum and are repayable by instalment thereafter; an amount of HK$235,810,000 (2019: HK$26,368,000) which bear interest ranging from prime rate minus 3% to prime rate plus 2% for whole loan period and the remaining balance of HK$793,000 (2019: HK$9,550,000) are unsecured, interest-free and repayable on demand.

23. PLEDGED DEPOSITS, RESTRICTED BANK DEPOSITS, DEPOSIT IN A FINANCIAL INSTITUTION, BANK BALANCES AND CASH

Pledged deposits included in non-current assets carry interest at rates ranging from 0.00% to 2.45% (2019: 0.00% to 3.19%) per annum. These deposits are pledged to secure bank loans repayable after one year.

The pledged deposits shown under current assets carry interest at market rates ranging from 0.00% to 3.25% (2019: 0.00% to 3.27%) per annum. These deposits, with maturity dates ranging from 1 to 6 months, are pledged to secure bank borrowings repayable within one year.

Restricted bank deposits, carry interest at market rates ranging from 0.30% to 1.63% (2019: 0.35% to 1.55%), represent custody deposits paid in banks in relation to certain banking facility arrangements of the Group and deposits can be solely applied for settlement of development cost of designated property projects.

Deposit in a financial institution carries interest at a rate of 0.00% to 0.25% (2019: 0.00% to 0.55%) per annum.

Bank deposits with maturity of less than three months and bank balances carry interest at market rates ranging from 0.00% to 2.00% (2019: 0.00% to 2.5%) per annum.

Bank balances and cash that are denominated in A$, EUR, GBP, S$ and US$, amounted to A$19,527,000 (equivalent to HK$93,339,000) (2019: A$1,164,000 (equivalent to HK$6,471,000)), EUR2,007,000 (equivalent to HK$17,141,000) (2019: EUR4,000,000 (equivalent to HK$35,157,000)), GBP11,027,000 (equivalent to HK$105,527,000) (2019: GBP7,346,000 (equivalent to HK$74,928,000)), S$1,025,000 (equivalent to HK$5,578,000) (2019: S$13,748,000 (equivalent to HK$79,605,000)) and US$132,466,000 (equivalent to HK$1,025,288,000) (2019: US$50,821,000 (equivalent to HK$398,433,000)) respectively. All other bank balances and cash are denominated in functional currency of the respective group entities.

24. PROPERTIES FOR SALE

Included in properties for sale are properties with carrying value of HK$7,685,565,000 (2019: HK$10,735,435,000) which are not expected to be realised within the next twelve months.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade debtors		
Contracts with customers	117,778	135,174
Lease receivables	11,443	9,398
Less: allowance for credit loss	(5,763)	(5,763)
	123,458	138,809
Utility and other deposits	63,909	78,852
Prepayment and other receivables	138,241	195,492
Other tax recoverable	53,483	34,693
Deposit and stamp duty paid for the acquisition of property	–	20,000
	379,091	467,846

The following is an aged analysis of trade debtors and lease receivables, net of allowance for credit losses, based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition date:

	2020 HK$'000	2019 HK$'000
0–60 days	97,290	112,476
61–90 days	8,742	6,857
Over 90 days	17,426	19,476
	123,458	138,809

Trade debtors mainly represent receivables from renting of properties, use of hotel facilities and sales of properties. Rentals are payable on presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements.

As at 31 March 2020, included in the Group's trade and lease receivables balances are debtors with an aggregate carrying amount of HK$26,168,000 (2019: HK$24,487,000) which are past due at the reporting date. Out of the past due balances, HK$17,426,000 (2019: HK$18,344,000) has been past due 90 days or more and is not considered as in default as the default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. The Group has no significant concentration risk on trade and lease receivables as the amount spread over a large number of counterparties and customers. The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables for the year ended 31 March 2020 are set out in note 49.

26. CUSTOMERS' DEPOSITS UNDER ESCROW

The amount represents the portion of the sales proceeds that have been settled by the buyers of properties and are being held in the escrow accounts. During the construction period, the amount is earmarked for payment of certain properties under development and repayment of relevant bank loans. The fund are remitted to the Group upon the issuance of the relevant certificates by the relevant government authorities.

27. CONTRACT ASSETS

Contract assets represent the unbilled amount resulting from sale of properties recognised over time.

The contract assets relate to the Group's right to consideration for work performance and not billed because the right is conditional on the Group's future performance. The contract assets are transferred to trade debtors when the right becomes unconditional.

The Group's sales contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits of certain percentage of total contract sum as part of its credit risk management policies.

28. CONTRACT COSTS

Contract costs capitalised as at 31 March 2020 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of selling and marketing expenses in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK$148,200,000 (2019: HK$94,781,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Held for trading derivatives that are not designated in hedge accounting relationships:				
Interest rate swap contracts	–	–	(3,128)	–
Cross currency swap contracts	37,222	4,465	(269)	–
Asset from profit guarantee arrangement	–	2,547	–	–
	37,222	7,012	(3,397)	–
Analysed for reporting purpose as:				
Current	–	4,646	(3,397)	–
Non-current	37,222	2,366	–	–
	37,222	7,012	(3,397)	–

30. CREDITORS AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade creditors		
– Construction cost and retention payable	666,631	939,681
– Others	74,838	122,873
	741,469	1,062,554
Construction cost and retention payable for capital assets	31,343	36,038
Rental deposits and rental receipts in advance	56,319	73,728
Other payable and accrued charges	435,504	359,258
	1,264,635	1,531,578

The following is an aged analysis of the trade creditors, based on the invoice date:

	2020 HK$'000	2019 HK$'000
0–60 days	700,139	1,005,701
61–90 days	3,623	13,502
Over 90 days	37,707	43,351
	741,469	1,062,554

31. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Sales of properties	310,598	974,166

As at 1 April 2018, contract liabilities amounted to HK$1,520,096,000.

The Group receives amounts ranging from 5% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. The amount is expected to be settled within the Group's normal operating cycle and is classified as current based on the Group's earliest obligation to transfer the properties to customers.

During the year ended 31 March 2020, the Group has recognised revenue of HK$877,578,000 (2019: HK$1,204,973,000) that was included in the contract liabilities balance at the beginning of the year.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Amounts payable under finance leases:		
Within one year	7,763	6,697
In more than one year but not more than five years	13,610	12,476
	21,373	19,173
Less: Future finance charges	(2,200)	–
Present value of lease obligations	19,173	19,173
Less: Amount due within one year shown under current liabilities		(6,697)
Amount due after one year		12,476

It is the Group's policy to lease certain of its motor vehicles and equipment under finance leases. The average lease terms range from 1 to 5 years. The average borrowing rates for the year ended 31 March 2019 was 6.71% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate, at the end of the reporting period approximates to their carrying amount.

Upon application of HKFRS 16, the current and non-current portion of obligations under financial leases amounting to HK$6,697,000 and HK$12,476,000 respectively were reclassified to lease liabilities.

33. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans	19,015,955	17,034,260
Other loans	929,007	835,824
	19,944,962	17,870,084
Less: front-end fee	(33,200)	(31,541)
	19,911,762	17,838,543
Analysed for reporting purpose as:		
Secured	16,557,962	15,050,084
Unsecured	3,387,000	2,820,000
	19,944,962	17,870,084
Current liabilities	6,505,953	4,235,896
Non-current liabilities	13,405,809	13,602,647
	19,911,762	17,838,543
The borrowings repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
Revolving loans without specified repayment terms and loan repayable within one year	5,608,728	3,199,157
More than one year, but not exceeding two years	6,417,747	4,222,741
More than two years, but not exceeding five years	7,511,073	10,180,824
More than five years	407,414	267,362
	19,944,962	17,870,084

The carrying amounts of the borrowings include an amount of HK$1,965,284,000 (2019: HK$1,813,162,000) that contains a repayment on demand clause, HK$908,876,000 (2019: HK$1,044,413,000) of that amount is not repayable within one year based on scheduled repayment dates. However, the full HK$1,965,284,000 (2019: HK$1,813,162,000) has been shown under current liabilities as the counterparties have discretionary rights to demand immediate repayment.

33. BANK AND OTHER BORROWINGS (continued)

Currencies	Interest rates	2020 HK$'000	2019 HK$'000
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 0.75% to 2.1% (2019: HIBOR plus 0.75% to 2.1%)	10,528,031	7,765,979
RMB	88% of over 5 years People's Bank of China Prescribed Interest Rate ("PBOC PIR") to 100% of 3 to 5 years PBOC PIR (2019: 5 years or above PBOC PIR)	491,820	564,560
S$	Singapore Swap Offered Rate ("S$ SOR") plus 0.68% to 1.1% (2019: S$ SOR plus 0.68% to 1.1%)	3,399,361	4,152,610
MYR	Malaysia Base Lending Rates ("Malaysia BLR") minus 1.50% to plus 1.50% (2019: Malaysia BLR minus 1.50% to plus 1.50%)	160,750	190,260
A$	Australia Bank Bill Swap Reference Rate ("Australia BBSW") plus 1.40% to 1.80% (2019: Australia BBSW plus 1.40% to 1.55%)	3,995,130	3,960,251
GBP	London Interbank Offered Rate ("LIBOR") plus 1.85% to 2.75% (2019: LIBOR plus 2.00% to 2.75%)	1,044,740	792,562
US$	LIBOR plus 1.35% (2019: LIBOR plus 1.35%)	29,325	218,658
EUR	Czech Republic Lombard Rate (Czech Republic LR) plus 1.95% to 3.1% (2019: Czech Republic LR plus 1.95% to 3.1%)	295,805	225,204
		19,944,962	17,870,084

Bank and other borrowings that are denominated in A$, US$ and EUR, amounted to A$144,346,000 (equivalent to HK$689,974,000) (2019: A$144,697,000 (equivalent to HK$804,513,000)), US$3,784,000 (equivalent to HK$29,325,000) (2019: US$28,676,000 (equivalent to HK$224,818,000)) and EUR34,639,000 (equivalent to HK$295,805,000) (2019: EUR25,620,000 (equivalent to HK$225,204,000)) respectively. All other bank and other borrowings are denominated in functional currency of the respective group entities.

34. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	77,253
Within a period of more than one year but not more than two years	74,362
Within a period of more than two years but not more than five years	148,169
More than five years	324,555
	624,339
Less: Amount due for settlement with 12 months shown under current liabilities	(77,253)
Amount due for settlement after 12 months shown under non-current liabilities	547,086

35. AMOUNTS DUE TO SHAREHOLDERS OF NON-WHOLLY OWNED SUBSIDIARIES

Included in the amounts due to shareholders of non-wholly owned subsidiaries is an amount due to a shareholder of a non-wholly owned subsidiary, included under non-current liabilities in prior year, for financing the property development project in Singapore. The amount is unsecured, interest-free and due to a shareholder of FEC Skyline Pte. Ltd. ("FEC Skyline"), a 70% subsidiary of the Company. In accordance with the contractual terms of the shareholders' agreements, the amount is repayable only when FEC Skyline has available cash, which represent cash proceeds received from the business after payment of operating expenses as provided in the annual budget including but not limited to bank loans and/or other financial institutions which are due for repayment together with the accrued interest. The expected repayment date of the amount due to a shareholder of a non-wholly owned subsidiary is in August 2020 and the difference between the principal amount of the advance and its fair value at initial recognition amounting to HK$19,681,000 has been included in the non-controlling interest as deemed capital contribution arising from interest-free loan advanced by a non-controlling shareholder during the year ended 31 March 2017.

The remaining amounts due to shareholders of non-wholly owned subsidiaries under current liabilities are unsecured, interest-free and either repayable on demand or without fixed terms of repayment.

36. NOTES AND BONDS

	2029 Notes HK$'000	2023 Notes HK$'000	2021 Notes HK$'000	2018 Bonds HK$'000	Total HK$'000
At 1 April 2018	–	1,163,337	2,335,621	907,995	4,406,953
Redemption upon maturity	–	–	–	(907,995)	(907,995)
Interest charged during the year	–	54,783	92,235	–	147,018
Interest paid during the year	–	(11,496)	(76,849)	–	(88,345)
Interest payable due within 12 months and included in other payable	–	(41,107)	(11,502)	–	(52,609)
Exchange adjustments	–	1,489	2,988	–	4,477
At 31 March 2019	–	1,167,006	2,342,493	–	3,509,499
Issue of new notes	80,000	–	–	–	80,000
Less: transaction costs directly attributable to issue	(2,783)	–	–	–	(2,783)
Interest charged during the year	2,503	54,590	91,462	–	148,555
Interest paid during the year	(2,040)	(32,251)	(81,794)	–	(116,085)
Interest payable due within 12 months and included in other payable	(306)	(20,172)	(5,805)	–	(26,283)
Exchange adjustments	19	(14,898)	(29,900)	–	(44,779)
At 31 March 2020	77,393	1,154,275	2,316,456	–	3,548,124

36. NOTES AND BONDS (continued)

2029 Notes

On 5 September 2019, the Company issued notes with aggregate principal amount of HK$80,000,000 with maturity date on 5 September 2029 (the "2029 Notes") to independent third party. The 2029 Notes bear interest at 5.1% per annum payable semi-annually. As at 31 March 2020, the aggregate principal amount of the 2029 Notes outstanding was HK$80,000,000.

2023 Notes

On 6 November 2017, the Company issued notes with aggregate principal amount of US$150,000,000 with maturity date on 13 May 2023 (the "2023 Notes") to independent third party. The 2023 Notes bear interest at 4.5% per annum payable semi-annually. As at 31 March 2020, the aggregate principal amount of the 2023 Notes outstanding was US$150,000,000 (equivalent to HK$1,161,000,000) (2019: US$150,000,000 (equivalent to HK$1,176,000,000)).

2021 Notes

On 8 September 2016, the Company issued notes with aggregate principal amount of US$300,000,000 with maturity date on 8 September 2021 (the "2021 Notes") to independent third party. The 2021 Notes bear interest at 3.75% per annum payable semi-annually. As at 31 March 2020, the aggregate principal amount of the 2021 Notes outstanding was US$300,000,000 (equivalent to HK$2,322,000,000) (2019: US$300,000,000 (equivalent to HK$2,352,000,000)).

2018 Bonds

On 3 April 2013, Dorsett issued bonds with aggregate principal amount of RMB850,000,000 (equivalent to HK$1,062,500,000) at the issue price of 100% of the principal amount with maturity date on 3 April 2018 (the "2018 Bonds") to independent third parties. The 2018 Bonds were fully redeemed upon maturity.

The principal terms of 2029 Notes, 2023 Notes, 2021 Notes and 2018 Bonds:

a) Other than during the closed period and subject to the terms of the paying agency agreement in respect of the 2029 Notes, 2023 Notes, 2021 Notes and 2018 Bonds, the bonds are transferable without restrictions.

b) Unless previously redeemed or purchased and cancelled, the Company and Dorsett will redeem each 2029 Notes, 2023 Notes, 2021 Notes and 2018 Bonds at 100% at its principal amount together with unpaid accrued interest on the maturity date.

c) At any time the Company and Dorsett may, having given not less than 15 nor more than 30 days' notice to the 2021 Notes noteholders or 30 nor more than 60 days' notice to the 2023 Notes noteholders and bondholders in accordance with the terms and conditions of the 2023 Notes, 2021 Notes and 2018 Bonds (which notice shall be irrevocable) redeem all, and not some only, of the 2023 Notes, 2021 Notes and 2018 Bonds at their principal amount together with interest accrued to the date fixed for redemption on the redemption date as a result of any change in, or amendment to, the applicable tax laws or regulations of the Cayman Islands or Hong Kong.

36. NOTES AND BONDS (continued)

d) When a change of control occurs with respect to the Company and Dorsett, the noteholder of 2023 Notes, 2021 Notes and bondholder of 2018 Bonds will have the right at such holder's option, to require the Company and Dorsett to redeem all or some only of that 2023 Notes and 2021 Notes at 100% and 2018 Bonds at 101% of their principal amount together with interest accrued to the date fixed for redemption.

e) The 2029 Notes, 2023 Notes, 2021 Notes and 2018 Bonds will constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the 2029 Notes, 2023 Notes, 2021 Notes and 2018 Bonds) unsecured obligations of the Company and Dorsett and shall at all times rank pari passu and without any preference or priority among themselves.

Details of the issue of the 2023 Notes, 2021 Notes and 2018 Bonds were disclosed in the Company's circular dated 7 November 2018, 25 August 2016 and Dorsett's circular dated 25 March 2013, respectively.

37. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised by the Group, and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of assets HK$'000	Fair value adjustments on business combination HK$'000	Tax losses HK$'000	Others HK$'000 (note)	Total HK$'000
At 1 April 2018	88,578	176,330	76,450	34,261	(69,793)	244,976	550,802
Charge (credit) to profit or loss	(2,411)	147,369	–	(4,950)	236	72,509	212,753
Acquisition of subsidiaries	–	–	–	15,921	–	–	15,921
Exchange alignment	83	(17,246)	(6,002)	(319)	1,536	(11,940)	(33,888)
At 31 March 2019	86,250	306,453	70,448	44,913	(68,021)	305,545	745,588
Charge (credit) to profit or loss	(1,867)	8,010	–	(1,245)	(14,051)	66,314	57,161
Exchange alignment	(441)	(234)	(7,886)	(852)	7,235	9,093	6,915
At 31 March 2020	83,942	314,229	62,562	42,816	(74,837)	380,952	809,664

Note: Others represent the temporary difference arising from the deduction of the interest expenses, development expenditure of overseas subsidiaries at the development stage and the EIT effects of unpaid PRC LAT.

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	(93,653)	(49,640)
Deferred tax liabilities	903,317	795,228
	809,664	745,588

37. DEFERRED TAXATION (continued)

The Group recognises deferred tax in respect of the change in fair value of the investment properties located in the PRC and Australia, as these properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in these investment properties over the time, i.e. through usage of such properties for rental purpose except for freehold land which is always presumed to be recovered entirely through sales. No deferred tax recognised in respect of the charge in fair value of the investment properties located in Hong Kong and Singapore, as those properties were recovered through sales.

At 31 March 2020, the Group has unused tax losses of HK$1,715,284,000 (2019: HK$1,447,678,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$331,086,000 (2019: HK$292,873,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,384,198,000 (2019: HK$1,154,805,000) due to the unpredictability of future profit streams.

At 31 March 2020, the Group has deductible temporary difference in relation to accelerated accounting depreciation of property, plant and equipment amounted to HK$380,369,000 (2019: HK$395,769,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for on the temporary differences attributable to profits of the subsidiaries of the PRC generated after 1 January 2008, Australia and Singapore of HK$3,791,780,000 (2019: HK$3,875,961,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

38. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value HK$'000
Authorised	4,000,000,000	400,000
Issued and fully paid:		
At 1 April 2018	2,301,786,140	230,179
Share repurchase	(13,619,000)	(1,362)
Issue of shares in lieu of cash dividends (i)	62,023,162	6,202
Issue upon exercise of share option at HK$2.55 per share	1,500,000	150
At 31 March 2019	2,351,690,302	235,169
Share repurchase	(42,672,000)	(4,267)
Issue of shares in lieu of cash dividends (ii)	60,402,907	6,040
At 31 March 2020	2,369,421,209	236,942

38. SHARE CAPITAL (continued)

(i) On 14 February 2019 and 11 October 2018, the Company issued and allotted 16,412,149 and 45,611,013 new fully paid shares of HK$0.10 each at HK$3.262 and HK$4.040 respectively to the shareholders who elected to receive shares in the Company in lieu of cash for the 2019 interim dividend and 2018 final dividend pursuant to the scrip dividend scheme announced by the Company on 28 December 2018 and 3 September 2018 respectively. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) On 18 February 2020 and 31 October 2019, the Company issued and allotted 9,928,874 and 50,474,033 new fully paid shares of HK$0.10 each at HK$3.766 and HK$3.276 respectively to the shareholders who elected to receive shares in the Company in lieu of cash for the 2020 interim dividend and 2019 final dividend pursuant to the scrip dividend scheme announced by the Company on 28 December 2019 and 3 September 2019 respectively. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(iii) During the year ended 31 March 2020, the Company, through its subsidiary, repurchased certain of its own shares as follows:

Month of repurchase	No. of ordinary share purchased	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$'000
July 2019	5,550,000	3.84	3.52	21,090
August 2019	9,693,000	3.90	3.36	34,604
September 2019	2,727,000	3.57	3.49	9,299
October 2019	4,855,000	3.34	3.31	15,633
February 2020	8,276,000	3.94	3.55	30,042
March 2020	11,571,000	3.49	2.91	31,010

During the year ended 31 March 2019, the Company, through its subsidiary, repurchased certain of its own shares as follows:

Month of repurchase	No. of ordinary share purchased	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$'000
May 2018	5,000,000	4.38	4.67	21,800
August 2018	3,700,000	4.00	4.40	15,540
September 2018	2,150,000	3.78	4.18	8,084
January 2019	2,769,000	3.26	3.50	9,138

The shares were cancelled during the year and accordingly the issued share capital and the share premium was reduced by the nominal value of these shares and the premium paid on repurchase respectively.

All the shares issued during the two years ended 31 March 2020 rank pari passu in all respects with the existing shares in the Company.

During the year, except the amount disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

39. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business

On 30 April 2018, the Group acquired the entire share capital of TWC, a company incorporated in United States of America. The principal activity of TWC is hospitality and gaming business. The acquisition was accounted for using the purchase method.

	Carrying amount in the acquiree's financial records HK$'000	Fair value adjustment HK$'000	Fair value of net assets HK$'000
Net assets acquired:			
Property, plant and equipment	445,986	79,948	525,934
Debtors, deposits and prepayments	64,486	–	64,486
Bank balances and cash	55,339	–	55,339
Creditors and accruals	(38,733)	–	(38,733)
Bank borrowings	(153,825)	–	(153,825)
Deferred tax liabilities	(3,278)	(12,643)	(15,921)
	369,975	67,305	437,280
Bargain purchase gain			(108,000)
Consideration satisfied by cash			329,280
Net cash outflow arising on acquisition:			
Cash consideration			329,280
Cost incurred in connection with the acquisition			3,386
Bank balances and cash acquired			(55,339)
			277,327

The bargain purchase gain represents the excess of the acquirer's interest in the net fair value of assets attributable by the sale by the shareholders of the acquiree in anticipation of the change in the gaming regulatory and operating environment in Czech Republic.

Had the acquisition been completed on 1 April 2018, the directors of the Company would not have expected a material impact to the group revenue and profit for the year as the revenue and losses contributed by TWC from 1 April up to 30 April 2018 (date of acquisition) was insignificant to the Group.

39. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of assets

In July 2018, the Group acquired the entire share capital of Highest Reach Investments Limited, which indirectly owned a property known as 21 Anderson Royal Oak Residence, located at 21 Anderson Road in Singapore. The assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 *Business Combinations* and therefore, the acquisition was accounted for as assets acquisition.

The asset acquired and liabilities assumed in the transaction are as follows:

	HK$'000
Investment properties	1,132,950
Debtors, deposits and prepayments	419
Bank balance and cash	42,650
Creditors and accruals	(4,405)
Bank borrowings	(595,471)
Net assets of the subsidiaries acquired	576,143
Total consideration satisfied by:	
Cash consideration paid	576,143
Net cash outflow arising on acquisition:	
Cash consideration paid	576,143
Cash and cash equivalents acquired	(42,650)
	533,493

40. PERPETUAL CAPITAL NOTES

On 12 September 2019, 16 September 2019 and 24 February 2020, FEC Finance Limited ("FEC Finance"), an indirect wholly owned subsidiary of the Group, issued US$250,000,000, US$50,000,000 and US$60,000,000 7.375% guaranteed perpetual capital notes ("2019 Perpetual Capital Notes") at an issue price of 100 per cent of the aggregate nominal amount of the 2019 Perpetual Capital Notes. Any amount payable arising from distribution or redemption were unconditionally and irrevocably guaranteed by the Company under the US$1,000,000,000 guaranteed medium term note programme. Distribution on 2019 Perpetual Capital Notes are payable semi-annually in arrears on April and October each year ("Distributions Payment Date") and can be deferred at the discretion of FEC Finance and is not subject to any limit as to the number of times distributions. The 2019 Perpetual Capital Notes have no fixed maturity and are redeemable at FEC Finance's option on 18 October 2024 or any Distributions Payment Date at their principal amounts. While any distributions are unpaid or deferred, the Group and FEC Finance cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Group and FEC Finance.

The Perpetual capital notes are classified as equity instrument. Any distributions made by FEC Finance to the holders are recognised in equity in the consolidated financial statements of the Group.

During the year, the Group entered into new lease agreement for the use of leased properties for five years, the Group recognised HK$213,223,000 of right-of-use assets and lease liabilities.

41. MAJOR NON-CASH TRANSACTIONS

(i) The Company issued shares in lieu of cash dividend payable to the Company's shareholders totalling HK$202,755,000 (2019: HK$237,815,000).

(ii) BC Group was set up as a holding company and is integral to the whole restructuring scheme involving certain associates of the Group during the year ended 31 March 2019. As part of the scheme, the Group's interests in certain associates were disposed to BC Group for a consideration of A$8,900,000 resulting in a gain on disposal of associates of HK$51,677,000 being recognised in the profit or loss during the year ended 31 March 2019. On the same day, the call options (as amended) held by the Group in the associates were exercised, entitling the Group to subscribe for shares in BC Group for an amount equivalent to the market value of the call options held by the Group in the associates. In addition, the Group recognised a fair value gain on the call options of HK$123,847,000 in the profit or loss with the corresponding amount debited as deemed cost of the Group's interest in BC Group. Upon completion of the restructuring, the Group holds 50.66% equity interest in BC Group and the investment is classified as interests in joint ventures by the Group based on the decision making arrangement of the shareholders' deed where decision on operating and financial policies or activities of BC Group and its subsidiaries requires unanimous consent of the Group and other shareholders. BC Group and its subsidiaries are principally involved in the provision of mortgage services.

(iii) During the year, the Group entered into new lease agreement for the use of leased properties for five years and recognised HK$213,223,000 of right-of-use assets and lease liabilities.

42. CHARGE ON ASSETS AND RESTRICTIONS OF ASSETS

Bank borrowing of HK$16,557,962,000 (2019: HK$15,050,084,000) and finance lease liabilities of HK$15,783,000 (2019: HK$19,173,000) outstanding at the end of the reporting period are secured by a fixed charge over the following assets of the Group and together with a floating charge over other assets of the property owners and benefits accrued to those properties:

	2020 HK$'000	2019 HK$'000
Investment properties	4,971,580	2,416,776
Property, plant and equipment (excluding right-of-use assets)	6,124,724	5,612,513
Right-of-use assets	1,510,185	–
Prepaid lease payments	–	497,236
Properties for sale	8,263,088	11,774,893
Bank deposits	72,009	35,940
Investment securities	824,953	1,073,723
	21,766,539	21,411,081

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

Restrictions or covenants on leases

In addition, lease liabilities of HK$608,556,000 are recognised with related right-of-use assets of HK$567,015,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

43. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	1,186,814	877,949
Commitment to provide credit facility to a joint venture	94,000	65,000
Others	17,528	28,273
	1,298,342	971,222

44. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group's investment properties and certain properties for sales temporary rented out have committed leases for next 1 to 18 years.

Minimum lease payments receivables on leases are as follows:

	2020 HK$'000
Within one year	104,456
In the second year	66,737
In the third year	31,992
In the fourth year	24,876
In the fifth year	22,201
More than five years	77,905
	328,167

At as 31 March 2019, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due:

	2019 HK$'000
Within one year	118,639
In the second to fifth year inclusive	200,400
More than five years	83,839
	402,878

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as the lease is denominated in the functional currencies of group entities. The lease contract do not contain any residual value guarantee or any options for the lessees to purchase the property at the end of lease term.

44. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	2019 HK$'000
Within one year	100,550
In the second to fifth year inclusive	255,380
More than five years	56,292
	412,222

Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2020 HK$'000	2019 HK$'000
Provision of building management service by associates	3,851	2,342
Provision of consultancy service to joint ventures	–	2,307
Provision of underwriting service to joint ventures	420	35,736

Details of the balances with associates, joint ventures, shareholders of non-wholly owned subsidiaries, an investee company and a related company as at the end of the reporting period are set out in the consolidated statement of financial position and the relevant notes.

The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

(b) The Group has entered into three hotel management services contracts for the provision of hotel management services to certain companies in Malaysia which are controlled by a director of the Company. During the year ended 31 March 2020, hotel management services income of HK$2,409,000 (2019: HK$1,914,000) was received under these contracts.

(c) Remunerations paid and payable to the members of key management, who are the directors and the five highest paid individuals, during the year are disclosed in note 14.

46. AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts due from/to associates, joint ventures, an investee company and related companies are set out in the consolidated statement of financial position. The amounts are unsecured, interest-free and either repayable on demand or without fixed terms of repayment. The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

In respect of the amounts classified under non-current assets, the Group does not expect repayment within the next twelve months from the end of the reporting period.

In respect to the amounts classified under non-current liabilities, the Group is not required to settle the balance within twelve months from the end of the reporting period.

47. SHARE OPTION SCHEMES

On 31 August 2012, the Company adopted a new share option scheme and the old share option scheme of the Company adopted on 28 August 2002 was expired on 28 August 2012 (collectively referred to as the "FECIL Share Option Schemes"). The FECIL Share Option Scheme were approved by the Company for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the FECIL Share Option Schemes, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the FECIL Share Option Scheme is not permitted to exceed 10% of the shares of the Company then in issue; and the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK$1 by the grantee. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options were granted by the Company on 25 August 2006, 8 May 2009 and 27 March 2013, at an initial exercise price at HK$3.290, HK$1.500 and HK$2.550 per share respectively to directors and employees of the Company and its subsidiaries.

47. SHARE OPTION SCHEMES (continued)

Details of options granted are as follows:

Options granted on 27 March 2013	Vesting period	Exercise period	Exercise price HK$
Tranche 1	27.3.2013 to 28.2.2014	2.3.2014 to 28.2.2020	2.550
Tranche 2	27.3.2013 to 28.2.2015	2.3.2015 to 28.2.2020	2.550
Tranche 3	27.3.2013 to 29.2.2016	2.3.2016 to 28.2.2020	2.550
Tranche 4	27.3.2013 to 28.2.2018	2.3.2018 to 28.2.2020	2.550

The movements in the options granted to employees in aggregate during the two years ended 31 March 2019 and 31 March 2020 are as follows:

Option type	Date of grant	At 1.4.2018	Exercised during the year	At 31.3.2019 and 31.3.2020
Tranche 1	27.3.2013	225,000	(225,000)	–
Tranche 2	27.3.2013	300,000	(300,000)	–
Tranche 3	27.3.2013	375,000	(375,000)	–
Tranche 4	27.3.2013	600,000	(600,000)	–
		1,500,000	(1,500,000)	–
Weighted average exercisable price		2.550	2.550	–
Number of options exercisable at the end of the year		1,500,000		

At 31 March 2020 and 2019, the number of options which remained outstanding under the FECIL Share Option Schemes was nil.

Total consideration received by the Group for exercising the options granted amount to approximately HK$3,826,000 for the year ended 31 March 2019.

The weighted average closing price of the Company's share immediately before the date(s) on which the options were exercised was HK$4.00 for the year ended 31 March 2019.

48. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

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

The Group makes defined contributions to the Employees Provident Fund for qualifying employees in Malaysia under which the Group is required to make fixed contributions under the defined contribution plans to separate entities. The Group has no legal or constructive obligations of further contributions to make up any deficiencies of fund assets to cover all employees benefits relating to their services to the Group.

The Group makes defined contribution to the Singapore Central Provident Fund which the Group is required to make a certain percentage of the salaries of the employees in Singapore, whereby the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefits plan.

The Group makes contribution to independent superannuation master funds for employees in Australia, based on a certain percentage of the employee's salaries and wages. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution.

The Group operates defined contribution schemes in respect of its employees in the United Kingdom. Contribution are made based on a certain percentage of salaries of the employees in the United Kingdom to the defined contribution scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension costs of the defined contribution schemes represent the contributions accrued to the scheme in respect of the accounting period.

Total retirement benefits expenses charged to profit or loss amounted to HK$46,523,000 in the current year (2019: HK$52,892,000).

49. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Debt instruments as FVTOCI	1,581,220	–
Equity instruments at FVTOCI	470,943	1,067,144
Financial assets at FVTPL	975,237	3,355,310
Financial assets at amortised cost	5,476,196	3,823,541
Derivative financial instruments	37,222	7,012
	8,540,818	8,253,007
Financial liabilities		
Derivative financial instruments	3,397	–
Financial liabilities at amortised cost	25,464,307	23,146,380
	25,467,704	23,146,380

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments included investment securities, borrowings, trade receivables, trade payables, contract assets, bank balances and cash, notes and bonds. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, variable-rate borrowings and variable rate debt instruments. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

In addition, the Group is also exposed to fair value interest rate as most of the debt instruments are at fixed rate. The sensitivity analysis for fair value interest rate risk for debt instruments measured at fair value are presented under market price risk.

Interest rate sensitivity analysis

The sensitivity analysis considers only borrowings and variable rate debt instruments which have significant impact on the consolidated financial statements. The analysis is prepared assuming that the borrowings and debt instruments at FVTOCI outstanding at the end of the reporting periods were outstanding for the whole year. 50 basis points and 100 basis points represent the best estimation of the possible change in the interest rates over the period until the end of next reporting period for borrowing and debt instruments at FVTOCI respectively.

If interest rates had been increased/decreased by 50 basis points (2019: 50 basis points) and all other variables were held constant, the Group's profit after tax, due to the impact of variable-rate borrowings, would have decreased/increased by HK$55,547,000 (2019: HK$42,716,000) and the interest capitalised would have increased/decreased by HK$44,012,000 (2019: HK$36,255,000).

If interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after tax due to the impact of variable rate debts instruments at FVTOCI, would have increased/decreased by HK$1,410,000.

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

Foreign currency risk

Certain group entities have transactions denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages the foreign currency risk by entering certain forward foreign exchange contracts closely monitoring the movement of the foreign currency rate.

The carrying amount of the Group's foreign currency denominated monetary items, at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
A$	**543,616**	386,423	**703,511**	805,841
US$	**2,805,985**	2,948,076	**3,538,862**	3,772,971
EUR	**169,163**	120,151	**298,713**	225,204
S$	**86,551**	91,910	**2**	–
GBP	**172,308**	179,557	**10,502**	–

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

Inter-company balances

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
A$	6,412,827	5,099,965	703,920	755,722
RMB	320,414	308,249	1,341,683	1,431,252
EUR	302,532	–	–	–
S$	1,194,189	1,140,154	53,691	53,695
GBP	1,176,985	1,170,488	–	–

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly on currencies other than US$ versus HK$ exposures since these two currencies are pegged HK$ under the Linked Exchange Rate System. The following tables details the Group's sensitivity to a 10% (2019: 10%) weakening in the functional currencies of the respective group entities against the relevant foreign currencies, while all other variables are held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies at the year end. For a 10% strengthening in the functional currencies of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on profit and other comprehensive income.

	Increase (decrease) in profit after tax	
	2020 HK$'000	2019 HK$'000
A$	(11,193)	(29,359)
US$	(61,195)	(68,879)
EUR	(10,817)	(8,772)
S$	7,184	7,629
GBP	12,944	14,365

	Increase (decrease) in other comprehensive income	
	2020 HK$'000	2019 HK$'000
A$	570,891	434,424
RMB	(102,127)	(112,300)
EUR	30,253	–
S$	114,050	108,696
GBP	117,699	117,049

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

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Price risk

The Group is exposed to equity price risk, fair value interest rate risk and other price risk arising from financial assets at FVTPL and financial assets at FVTOCI.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debt price risk at the end of the reporting period.

If the price of the respective equity and investment funds have been 5% (2019: 5%) higher/lower:

- profit after tax would have increased/decreased by HK$1,783,000 (2019: HK$3,939,000) as a result of the changes in fair value of equity securities at FVTPL.
- profit after tax would have increased/decreased by HK$8,989,000 (2019: HK$32,340,000) as a result of the changes in fair value of investment funds at FVTPL.
- FVTOCI reserve would have increased/decreased by HK$23,547,000 (2019: HK$53,355,000) as a result of the changes in fair value of financial assets at equity securities at FVTOCI.

If market interest rate had been 50 basis points (2019: 50 basis points) higher/lower with all other variables hold constant:

- profit after tax would have decreased/increased by HK$31,975,000 (2019: HK$140,947,000) as a result of the changes in fair value of debt securities at FVTPL.
- FVTOCI reserve would have decreased/increased by HK$86,728,000 as a result of the changes in fair value of financial assets at debt securities at FVTOCI.

No analysis for the impact of credit risk exposure as the management expected the impact is not significant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, pledged/restricted bank deposits, bank balances, amounts due from related parties, other receivables, loan receivables, customers' deposit under escrow, debt instruments at FVTPL and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables and contract assets are mitigated because they are secured over properties.

Except for debt securities at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised below:

For the Group's investments in debt securities, the investment committee are responsible for the credit risk assessment and give advices to the board of directors. The investment committee also assess the financial performance of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. Failure to repay may result in legal actions against the issuers. The Group also monitors the credit rating and market news of the issuers of the respective debts securities for any indication of potential credit deterioration.

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's concentration of credit risk mainly on amounts due from an investee company, amounts due from associates which is mainly due from two associates and amounts due from joint venture which is mainly due from five joint ventures. The Group actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on the outstanding balances.

The Group invests in unrated and unrated debt securities. The management regularly reviews and monitors the portfolio of debt securities. Summary of the fair value and principal amount of these debt securities are set out below.

Debt securities at FVTPL

	2020		2019	
	Fair value HK$'000	Principal amount HK$'000	Fair value HK$'000	Principal amount HK$'000
AA- to BBB	422,637	455,245	1,623,377	1,805,647
BB+ to B	51,997	52,308	452,999	438,195
Unrated	242,602	242,602	409,959	399,595
	717,236	750,155	2,486,335	2,643,437

Debt securities at FVTOCI

	2020	
	Fair value HK$'000	Principal amount HK$'000
AA- to BBB	787,918	813,302
BB+ to B	647,113	906,070
Unrated	146,189	146,189
	1,581,220	1,865,561

Trade debtors and contract assets arising from contracts with customers as well as lease receivables

In order to minimise the credit risk, the management of the Group has policies in place to ensure the sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade debtors including lease receivables based on past due analysis. Contract assets are assessed on an individual basis for impairment purpose.

Loan receivables/amounts due from related parties/bank balances and deposits

The credit risk of loan receivables and amounts due from related parties is managed through an internal process. The Group actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition. The directors of the Company consider that the probability of default is minimal after assessing the counter-parties financial background and underlying assets held by the related parties.

Loan receivables represent mortgage loans secured by the properties of the borrowers.

In determining the recoverability of loan receivables, the Group considers any change in the credit quality of the borrowers, the value of the underlying properties under mortgage, historical settlements of loan interests and other forward-looking information.

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI

The Group only invests in debt securities with credit rating of B or above issued by Moody's or Standard & Poor's. The directors of the Company focus on the investment diversification and their credit ratings changes. The directors of the Company access ECL on the debt instruments at FVTOCI based on the default rates published by major international credit rating agencies that are applicable to the respective debts instruments credit grades. As a result of this assessment, the directors of the Company are of the opinion that the ECL on these debt instruments is insignificant.

The credit risks on pledged deposits, restricted bank deposits, deposit in a financial institution, bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

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

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

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Debt instruments at FVTOCI						
Investment in listed debt securities	21	AA- to B	N/A	12-month ECL	1,435,031	–
Investment in unlisted debt securities	21	Unrated	Low risk	12-month ECL	146,189	–
Financial assets at amortised cost						
Trade debtors (contracts with customers)	25	N/A	Low risk/watch list (Note 1)	Lifetime ECL (not credit impaired)	117,778	135,174
			Loss	Credit-impaired	29,343	24,353
Loan receivables	22	N/A	Low risk (Note 2)	12-month ECL	268,920	253,497
Amounts due from related parties and an investee company	46	N/A	Low risk (Note 2)	12-month ECL	615,540	390,580
Pledged deposits/ restricted bank deposits	23	above A-(Note 3)	N/A	12-month ECL	192,941	211,665
Bank balances/deposit in a financial institution	23	above A-(Note 3)	N/A	12-month ECL	2,918,606	2,472,165
Other receivables	25	N/A	Low risk (Note 2)	12-month ECL	105,506	160,160
Customers' deposits under escrow	26	N/A	Low risk (Note 2)	12-month ECL	147,527	196,665
Others						
Contract assets	27	N/A	Low risk (Note 1)	Lifetime ECL (not credit impaired)	1,103,698	215,565
Lease receivables	25	N/A	Low risk	Lifetime ECL (not credit impaired)	11,443	9,398

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. Trade debtors, lease receivables and contract assets

   For trade debtors, lease receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired and contract assets, the Group determines the expected credit losses on trade and lease receivables by using a provision matrix, grouped by debtors' aging except for trade debtors with contract assets. Contract assets relate to sales of properties in Singapore and these amounts, as well as the related debtors are assessed individually for impairment.

   As part of the Group's credit risk management, the Group applies debtors' aging for its customers. The exposure to credit risk for debtors which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit impaired).

   As at 31 March 2020, the Group provided HK$5,763,000 (2019: HK$5,763,000) impairment allowance for trade debtors, based on the provision matrix. Impairment allowance of HK$29,343,000 (2019: HK$24,353,000) were made on credit impaired debtors on an individual basis.

   Contract assets are the unbilled amount resulting from sales of properties when revenue exceeds the amount billed to the buyers. The directors of the Company consider the exposure of credit risk of contract assets and the related trade debtors, is low after taking into account the value of the underlying properties, historical settlement of the counterparties and other forward-looking information. The fair value for the underlying properties is higher than the outstanding amount of the contract assets and the related trade debtors at the end of the reporting period. The loss given default of the contract assets and the related trade debtors is considered as insignificant to the Group, and no allowance of credit loss is provided for the contract assets.

2. Loan receivables/amounts due from related parties/customers' deposit under escrow/other receivables

   For the purposes of internal credit risk management, the Group uses internal credit rating to assess whether credit risk has increased significantly since initial recognition.

   Loan receivables are secured by property interests. The directors of the Company consider the exposure to credit risk of these loan receivables is low after taking into account the value of the collateral, historical settlements of loan interests and principal and other forward-looking information. The fair value of the collateral is higher than the outstanding amount of these receivables at the end of the reporting period. The loss given default and 12-month ECL of these loan receivables is considered as insignificant to the Group, and no allowance of credit loss is provided for these loan receivables.

   For amounts due from related parties, the directors of the Company consider the exposure to credit risk of these amounts is low after taking into consideration of the fair values of the underlying assets held by the related parties, the outlook of their future operations and the expected operating cash flows of the related parties.

   Customers' deposits under escrow represents the portion of the sale proceeds being held in the escrow accounts. The funds are remitted to the Group upon the issuance of the relevant certificates by the relevant government authorities. The directors consider the exposure of credit risk is low.

   For other receivables, the directors of the Company consider the exposure of credit risk, historical settlement and other forward-looking information. The loss rate under of 12-month ECL of the other receivables range from 2% to 3% (2019: 2% to 3%) and accumulated allowance of credit loss of HK$4,237,000 (2019: HK$4,237,000) was recognised.

3. For pledged deposits, restricted bank deposits, bank balances and deposit in a financial institution, the ECL is assessed by reference to probability of default and loss credit rating grade published by international credit agencies.

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Group, to ensure that it maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and external borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2020							
Creditors and accruals	N/A	848,280	–	–	–	848,280	848,280
Other liabilities	N/A	1,885	106,770	22,561	370	131,586	129,028
Amounts due to related companies	N/A	751	–	–	–	751	751
Amounts due to associates	N/A	6,897	–	–	–	6,897	6,897
Amounts due to shareholders of non-wholly owned subsidiaries	N/A	395,126	–	–	–	395,126	395,126
Bank and other borrowings	3.17	7,075,474	10,336,373	3,577,224	325,986	21,315,057	19,911,762
Lease liabilities	2.91	87,434	154,689	114,174	412,386	768,683	624,339
Notes and bonds	4.02	143,400	2,473,058	1,175,315	94,006	3,885,779	3,548,124
		8,559,247	13,070,890	4,889,274	832,748	27,352,159	25,464,307
Derivatives financial instrument – net settled							
Interest rate/currency swap contracts		3,397	–	–	–	3,397	3,397

49. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within one year HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2019							
Creditors and accruals	N/A	1,315,449	–	–	–	1,315,449	1,315,449
Other liabilities	N/A	–	8,095	4,176	22,955	35,226	35,226
Amount due to a related company	N/A	623	–	–	–	623	623
Amounts due to associates	N/A	28,057	–	–	–	28,057	28,057
Amounts due to shareholders of non-wholly owned subsidiaries	N/A	7,786	392,024	–	–	399,810	399,810
Bank and other borrowings	2.88	4,647,753	8,480,343	5,775,210	173,825	19,077,131	17,838,543
Obligations under finance leases	2.70	7,527	13,847	–	–	21,374	19,173
Notes and bonds	4.00	1,079,523	2,584,945	1,235,154	–	4,899,622	3,509,499
		7,086,718	11,479,254	7,014,540	196,780	25,777,292	23,146,380

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2020 and 31 March 2019, the carrying amounts of these bank borrowings amounted to HK$1,965,284,000 and HK$1,813,162,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid five years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Within one year HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2020						
Bank borrowings	1,118,777	842,939	25,212	94,358	2,081,286	1,965,284
At 31 March 2019						
Bank borrowings	820,969	551,503	469,489	103,653	1,945,614	1,813,162

The cash flows presented above for variable interest rate financial liabilities is subject to change if changes in interest rates differ from those at the end of the reporting period adopted in the above calculation.

49. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

The fair values of the Group's financial assets and financial liabilities excluding certain financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Certain financial instruments of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
		31.3.2020 HK$'000	31.3.2019 HK$'000		
1a)	Listed equity securities classified as financial assets at FVTPL	20,790	79,874	Level 1	Quoted bid prices in an active market
1b)	Listed equity securities classified as equity instrument at FVTOCI	470,943	1,065,011	Level 1	Quoted bid prices in an active market
1c)	Unlisted equity securities classified as financial assets at FVTPL	21,909	14,483	Level 3	Reference to the net assets value of the unlisted equity investment provided by the external counterparties. Discount of 5.008% for lack of marketability
1d)	Unlisted equity securities as equity instrument as FVTOCI	–	2,133	Level 3	Discounted cash flows Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter
2a)	Listed debt securities classified as financial assets at FVTPL	474,634	2,076,376	Level 1	Quoted bid prices in an active market
2b)	Unlisted debt securities classified as financial assets at FVTPL	–	50,581	Level 2	Quoted price provided by brokers
2c)	Unlisted debt securities classified as financial assets at FVTPL	242,602	359,378	Level 2	Recent transactions price of debts securities issued to third parties
2d)	Unlisted debt securities classified as financial assets at FVTOCI	146,189	–	Level 2	Recent transactions price of debt securities issued to third parties
2e)	Listed debt securities classified as financial assets at FVTOCI	1,435,031	–	Level 1	Quoted bid prices in an active market
3)	Investment funds classified as financial assets at FVTPL	215,302	774,618	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets (mainly listed securities) of the funds

49. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31.3.2020 HK$'000	31.3.2019 HK$'000		
4) Cross currency swap contracts classified as derivative financial instruments	Assets – 37,222	Assets – 4,465	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward exchange, discounted at a rate that reflects the credit risk of various counterparties
5) Assets arising from profit guarantee arrangement	–	Assets – 2,547	Level 3	Income approach Discounting future debt free cash flows available for distribution to the owners to their present worth at market-derived rates of return appropriate for the risks and hazards of investing in similar business.
6) Interest rate swap contracts classified as derivative financial instruments	Liabilities – (3,128)	–	Level 2	Discounted cash flow Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted forward interest rates, discounted at a rate that reflects the credit risk of various counterparties
7) Cross currency swap contracts classified as derivative financial instruments	Liabilities – (269)	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward exchange, discounted at a rate that reflects the credit risk of various counterparties

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2020 and 31 March 2019.

49. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Structured deposits HK$'000	(Assets) liabilities arising from profit guarantee arrangement HK$'000	Unlisted equity securities classified as equity investment at FVTOCI HK$'000	Unlisted equity securities classified as financial assets as FVTPL HK$'000
At 1 April 2018	40,500	5,876	–	14,483
Addition	166,205	–	2,133	–
Disposal	(207,936)	–	–	–
Fair value movement	1,231	(8,423)	–	–
At 1 April 2019	–	(2,547)	2,133	14,483
Addition	–	–	–	10,372
Fair value movement	–	2,547	(2,133)	(2,675)
Exchange realignment	–	–	–	(271)
At 31 March 2020	–	–	–	21,909

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable input for any of the level 3 financial instruments of the Group, as the management considers that the exposure is insignificant to the Group.

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings HK$'000 (Note 33)	Notes and bonds HK$'000 (Note 36)	Dividend payable HK$'000	Amounts due to related companies HK$'000 (Note 46)	Amounts due to associates HK$'000 (Note 46)	Amount due to a joint venture HK$'000	Amounts due to shareholders of non-wholly owned subsidiaries HK$'000 (Note 35)	Lease liabilities/ obligations under finance leases HK$'000 (Notes 32 & 34)	Other liabilities HK$'000	Total HK$'000
At 1 April 2018	11,947,422	4,406,953	–	19,095	27,149	3,177	277,723	17,147	–	16,698,666
Financing cash flows	4,901,689	(1,048,949)	(268,432)	(17,691)	2,509	(3,177)	122,087	(5,972)	33,109	3,715,173
Acquisition of a subsidiary	749,296	–	–	–	–	–	–	–	–	749,296
Non-cash changes	–	–	(237,815)	–	–	–	–	2,200	–	(235,615)
Finance costs	580,729	147,018	–	–	–	–	–	–	–	727,747
Dividends recognised as distribution	–	–	506,247	–	–	–	–	–	–	506,247
Foreign exchange translation	(340,593)	4,477	–	(781)	(1,601)	–	–	5,798	2,117	(330,583)
At 31 March 2019	17,838,543	3,509,499	–	623	28,057	–	399,810	19,173	35,226	21,830,931
Adjustment upon application of HKFRS 16 (note 2)	–	–	–	–	–	–	–	541,355	–	541,355
At 1 April 2019	17,838,543	3,509,499	–	623	28,057	–	399,810	560,528	35,226	22,372,286
New lease entered	–	–	–	–	–	–	–	213,223	–	213,223
Financing cash flows	2,258,383	(38,868)	(312,157)	128	(19,888)	–	12,164	(117,444)	95,284	1,877,602
Non-cash changes	–	(26,283)	(202,755)	–	–	–	–	–	–	(229,038)
Finance costs	670,066	148,555	–	–	–	–	–	20,950	–	839,571
Dividends recognised as distribution	–	–	514,912	–	–	–	–	–	–	514,912
Foreign exchange translation	(855,230)	(44,779)	–	–	(1,272)	–	(16,848)	(52,918)	(1,482)	(972,529)
At 31 March 2020	19,911,762	3,548,124	–	751	6,897	–	395,126	624,339	129,028	24,616,027

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current Assets		
Interests in subsidiaries	9,059,234	9,670,548
Current Assets		
Amounts due from subsidiaries	706,000	–
Bank balances, deposits and cash	6,666	15,229
	712,666	15,229
Creditors and accrued charges	31,933	32,135
Net Current Assets (Liabilities)	680,733	(16,906)
Total Assets Less Current Liabilities	9,739,967	9,653,642
Capital and Reserves		
Share capital	236,942	235,169
Share premium	4,534,687	4,479,650
Reserves	792,188	670,536
	5,563,817	5,385,355
Non-current Liabilities		
Loan from a subsidiary	637,650	702,000
Amount due to a subsidiary	67,517	56,535
Notes and bonds	3,470,730	3,509,499
Deferred tax liabilities	253	253
	4,176,150	4,268,287
	9,739,967	9,653,642

Note:

The movement of equity is as follows:

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	230,179	4,297,682	28,458	1,241	628,830	28,511	5,214,901
Profit and other comprehensive income for the year	–	–	–	–	–	490,984	490,984
Dividends	–	–	–	–	–	(506,247)	(506,247)
Repurchase of ordinary shares	(1,362)	(54,562)	1,362	–	–	(1,362)	(55,924)
Share issued in lieu of cash dividend	6,202	231,613	–	–	–	–	237,815
Shares issued upon exercise of share options	150	4,917	–	(1,241)	–	–	3,826
At 31 March 2019	235,169	4,479,650	29,820	–	628,830	11,886	5,385,355
Profit and other comprehensive income for the year	–	–	–	–	–	632,297	632,297
Dividends	–	–	–	–	–	(514,912)	(514,912)
Share issued in lieu of cash dividend	6,040	196,715	–	–	–	–	202,755
Repurchase of ordinary shares	(4,267)	(141,678)	4,267	–	–	–	(141,678)
At 31 March 2020	236,942	4,534,687	34,087	–	628,830	129,271	5,563,817

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at the end of the year are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2020	2019	Principal activities
Direct subsidiaries					
Ample Bonus Limited	BVI/HK	101 shares of US$1	100	100	Investment holding
Pacific Growing Limited	HK	1 share of HK$1	100	100	Investment holding
Queens Wharf Holdings Limited	BVI/HK	1 share of US$	100	100	Investment holding
The Fifth Apartments Pty Ltd	Australia	1 share of A$1	100	100	Property development
Indirect subsidiaries					
124 York Street Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
13 Roper Street Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
13 Roper Street Trust	Australia	N/A	77.75	77.75	Car park operation
19 Bank Street Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
19 Bank Street Trust	Australia	N/A	77.75	77.75	Car park operation
344 Queen Car Park Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
344 Queen Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
94 York Street Trust	Australia	N/A	77.75	77.75	Car park operation
Advance Delight Global Limited	BVI	1 share of US$1	100	100	Investment holding
All Greatness Limited	BVI/HK	1 share of US$1	100	100	Property development
Amphion Investment Limited	HK	2 shares of HK$1	100	100	Investment holding
Angel Meadows (FEC) Limited	UK	100 shares of £1	100	100	Property development
Anderson International Properties Pte Ltd	Singapore	1,000 shares of S$1	100	–	Property investment
Anderson Raffles Limited	Mauritius	500,000,000 shares of US$1	100	–	Investment holding
Annick Investment Limited	HK	2 shares of HK$1	100	100	Property investment
Apex Path Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Apexwill Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Arvel Company Limited	HK	10,000 shares of HK$1	100	100	Property investment
Asian Harvest Investments Limited	BVI/HK	1 share of US$1	100	100	Treasury management
Ballarat Central Car Park Pty Ltd	Australia	2 shares of A$1	77.75	77.75	Car park operation
Black Capital Finance Services Pty Ltd	Australia	125,000 shares of A$1	60	60	Loan financing
Boundary Farm Car Park Pty Ltd	BVI	2 shares of US$1	88.85	88.85	Car park operation
Bournemouth Estates Limited	HK	2 shares of HK$10	100	100	Property development
Bravo Trade Holdings Limited	BVI/HK	1 share of US$1	100	100	Property development
Bryce International Limited	BVI/HK	100 shares of US$1	100	100	Investment holding
Care Park Finance Pty Ltd	Australia	100 shares of A$1	77.75	77.75	Car park operation
Care Park Holdings Pty Ltd	Australia	100 shares of A$1	77.75	77.75	Investment holding

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2020	2019	
Care Park Leasing Pty Ltd (formerly known as Care Park (Albert Street) Pty Ltd)	Australia	2 shares of A$1	77.75	77.75	Car park operation
Care Park Properties Pty Ltd	Australia	100 shares of A$1	77.75	77.75	Investment holding
Care Park Group Pty Ltd	Australia	100 shares of A$1	77.75	77.75	Car park operation
Care Property Pty Ltd (formerly known as Australian Property Management Pty Ltd)	Australia	100 shares of A$1	77.75	77.75	Car park operation
Carterking Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Cathay Motion Picture Studios Limited	HK	30,000 shares of HK$100	100	100	Property investment
Charter Joy Limited	HK	2 shares of HK$1	100	100	Hotel operation
Charter National International Limited	HK	2 shares of HK$1	100	100	Property development
Cheong Sing Property Development Limited	HK	500 shares of HK$100	100	100	Property development
Ching Chu (Shanghai) Real Estate Development Company Limited (i)	PRC	Registered and paid up capital of US$36,000,000	100	100	Hotel management
Chun Wah Holdings Limited	HK	200 shares of HK$1	100	100	Property development
City Sight Limited	HK	1 share of HK$1	100	100	Loan financing
Complete Delight Limited	BVI/HK	1 share of US$1	100	100	Hotel operation
Cosmopolitan Hotel Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Crouch End (FEC) Limited	UK	1 share of £1	100	100	Property development
Dorsett Bukit Bintang Sdn. Bhd.	Malaysia	250,002 shares of MYR1	100	100	Property development
Dorsett Hospitality International Limited	Cayman Islands	2,100,626,650 shares of HK$0.1	100	100	Investment holding
Dorsett Hospitality International (M) Sdn Bhd	Malaysia	2 shares of MYR2	100	100	Investment holding
Dorsett Hospitality International (Singapore) Pte. Limited	Singapore	1 share of S$1	100	100	Hotel management and consultancy service
Dorsett Hospitality International Services Limited	HK	2 shares of HK$1	100	100	Hotel management
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of MYR1	100	100	Hotel operation
Drakar Limited	Isle of Man/ UK	1 share of £1	100	100	Property development
Dunjoy Limited	HK	2 shares of HK$1	100	100	Investment holding

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2020	2019	Principal activities
E-Cash Ventures Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Esmart Management Limited	HK	2 shares of HK$1	100	100	Hotel management
Everkent Development Limited	HK	2 shares of HK$1	100	100	Hotel operation
Expert Vision Trading Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Far East Consortium (Australia) Pty Ltd.	Australia	2 shares of A$1	100	100	Property development
Far East Consortium (B.V.I.) Limited	BVI/HK	50,000 shares of US$1	100	100	Investment holding
Far East Consortium (Netherlands Antilles) N.V.	Curacao	99,000 shares of US$1	100	100	Investment holding
Far East Consortium China Investments Limited	HK	6,000 shares of HK$100	100	100	Investment holding
Far East Consortium Holdings (Australia) Pty Ltd	Australia	12 shares of A$1 235 redeemable preference shares of A$42.55	100	100	Investment holding
Far East Consortium Limited	HK	830,650,000 shares of HK$1	100	100	Investment holding and property investment
Far East Consortium Properties Pty Limited	Australia	12 shares of A$1 225 redeemable preference shares of A$44.44	100	100	Investment holding and property investment
Far East Consortium Real Estate Agency Limited	HK	1 share of HK$1	100	100	Sales agency service
Far East Real Estate and Agency (H.K.) Limited	HK	60,000 shares of HK$100	100	100	Investment holding and loan financing
Far East Rockman Hotels (Australia) Pty Ltd	Australia	12 shares of A$1 375 redeemable preference shares of A$10,000	100	100	Investment holding
Far East Vault Limited	HK	1 share of HK$1	100	–	Vault service
FEC Care Park Holdings (Australia) Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FEC Care Park Holdings Pte Ltd	Singapore	1 share of S$1	100	100	Investment holding
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	2 shares of MYR1	100	100	Investment holding
FEC Development Management Limited	UK	1 share of £1	100	100	Administration services
FEC Financing Solutions Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FEC Holdings Pte. Ltd.	Singapore	1,000,000 shares of S$1	100	100	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2020	2019	Principal activities
FEC Hotel Investments Pte. Ltd.	Singapore	2 shares of S$1	100	100	Investment holding and property development
FEC Hotel Operations Holdings (Australia) Pty Ltd	Australia	1 share of A$1	100	100	Hotel operation
FEC Overseas (Singapore) Pte Ltd	Singapore	1 share of S$1	100	100	Investment holding
FEC Skyline Pte. Ltd.	Singapore	4,000,000 shares of S$1	70	70	Property development
FEC Skypark Pte. Ltd.	Singapore	3,000,000 shares of S$1	80	–	Property development
FEC Strategic Investments (Netherlands) B.V.	Amsterdam	120,000 shares of DFL1	100	100	Investment holding
FEC Suites Pte. Ltd.	Singapore	1,000,000 share of S$1	100	100	Property development
FEC QWB Integrated Resort Holdings Limited	BVI/HK	1 share of US$1	100	100	Investment holding
FECFW 1 Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FECFW 2 Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
Ficon Roper Street Trust	Australia	N/A	77.75	77.75	Car park operation
Fortune Plus (M) Sdn. Bhd.	Malaysia	935,000 shares of MYR1	100	100	Hotel operation
Garden Resort Development Limited	HK	100 shares of HK$1	100	100	Property development
Gold Prime Group Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Grand Expert Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Highest Reach Investments Limited	BVI	494,808 shares of US$1	100	–	Investment holding
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK$1	100	100	Loan financing
Jarton Limited	HK	1 share of HK$1	100	100	Property development
Kuala Lumpur Land Holdings Limited	Jersey/HK	100 shares of £1	100	100	Investment holding
Launceston York Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
Madison Lighters and Watches Company Limited	HK	4 shares of HK$1	100	100	Investment holding
Mass Perfect Limited	HK	1 share of HK$1	100	100	Investment holding
May21 Pty Ltd.	Australia	1 share of A$1	100	100	Property development
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of MYR1	100	100	Hotel operation
Midtown at Upper West Side Pty Ltd	Australia	2 shares of A$1	100	100	Investment holding

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2020	2019	
Novel Orient Investments Limited	HK	1 share of HK$1	100	100	Hotel operation
N.T. Horizon Realty (Jordan) Limited	HK	2 shares of HK$100	100	100	Property investment
New Time Plaza Development Limited	HK	1,000 shares of HK$1	100	100	Investment holding
New Union Investments (China) Limited	HK	300 shares of HK$1	100	100	Investment holding
Panley Limited	HK	1 share of HK$1	100	100	Hotel operation
Peacock Management Services Limited	HK	2 shares of HK$1	100	100	Administration services
Perth FEC Pty Ltd	Australia	1 share of A$1	100	100	Property development
Polyland Development Limited	HK	2 shares of HK$1	100	100	Property development
Quadrant Plaza Pty Ltd	Australia	N/A	77.75	77.75	Car park operation
Quadrant Plaza Unit Trust	Australia	N/A	77.75	77.75	Car park operation
Queens Wharf Holdings Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Raffles Legend Properties Pte Ltd	Singapore	1 share of S$1	100	–	Property investment
Regency Hotels Proprietary Limited	Australia	100 shares of A$1	100	100	Investment holding
Richfull International Investment Limited	HK	1 share of HK$1	100	100	Bar operation
Roper Debt Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
Roper Street Car Park Pty Ltd	Australia	10,000 shares of A$0.012178	77.75	77.75	Car park operation
Roper Street Car Park Unit Trust	Australia	N/A	77.75	77.75	Car park operation
Ruby Way Limited	HK	2 shares of HK$1	100	100	Hotel operation
Sanon Limited	HK	1 share of HK$1	100	100	Property development and investment
SC98A s.r.o.	Czech Republic	1 share of CZK100,000	100	–	Investment holding
Scarborough Development Limited	HK	2 shares of HK$1	100	100	Property investment
Shanghai Chingchu Property Development Company Limited (ii)	PRC	Registered and paid up capital of US$35,000,000	98.2	98.2	Property development and investment
Shepparton Car Park Pty Ltd	Australia	10,050 shares of A$0.017093	77.75	77.75	Car park operation
Shepparton Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
Singford Holdings Limited	BVI/HK	1 share of US$1	100	100	Treasury management
Spencer Green Pty Ltd	Australia	1 share of A$1	100	100	Property development
Star Bridge Development Limited	HK	2 shares of HK$1	100	100	Investment holding

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2020	2019	Principal activities
Subang Jaya Hotel Development Sdn Bhd	Malaysia	245,000,000 shares of MYR1	100	100	Hotel operation
Success Range Sdn. Bhd.	Malaysia	500,000 shares of MYR1	100	100	Hotel operation
Target Term Sdn. Bhd.	Malaysia	2 shares of MYR1	100	100	Car park operation
Tantix Limited	HK	1 share of HK$1	100	100	Property development
Teampearl Company Limited	HK	5,001 A shares of HK$1 4,999 B shares of HK$1	100	100	Property development
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Topping Faithful Limited	HK	1 share of HK$1	100	–	Sales agency service
Tracia Limited	Isle of Man/ UK	1 share of £1	100	100	Investment holding
Trans World Corporation	Czech Republic	22,968 shares of CZK1	100	100	Gaming and hotel operation
Trans World Hotels & Entertainment a.s.	Czech Republic	400 shares of CZK75,000 and 100 shares of CZK700,000	100	–	Gaming and hotel operation
Trans World Hotels Austria GmbH	Austria	1 share of EUR40,000	100	–	Hotel operation
Trans World Hotels Germany GmbH	Germany	1 share of EUR20,000	100	–	Hotels operation
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of MYR1	100	100	Hotel operation
Victoria Land Pty Limited	Australia	12 share of A$1	100	100	Management services
Well Distinct Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Zhongshan Developments Limited	BVI/HK	1 share of US$1	100	100	Investment holding
武漢港澳中心物業管理有限公司(iii)	PRC	Registered and paid up capital of RMB500,000	100	100	Property management
武漢遠東帝豪酒店管理有限公司(i)	PRC	Registered and paid up capital US$29,800,000	100	100	Hotel operation
遠東帝豪酒店管理(成都)有限公司(i)	PRC	Registered and paid up capital US$38,000,000	100	100	Property development
上海帝盛酒店有限公司(iii)	PRC	Registered and paid up capital RMB2,000,000	100	100	Hotel operation

(i) Foreign investment enterprise registered in the PRC.
(ii) Sino-foreign equity joint venture registered in the PRC.
(iii) Domestic wholly owned enterprise registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of subsidiaries that has material non-controlling interests

The table below shows details of non-controlling interests of subsidiaries of the Group, other than FEC Finance Limited that are individually immaterial as at 31 March 2020 and 2019.

Name of subsidiary	Profit allocated to non-controlling interests		Accumulated non-controlling interest	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Subsidiaries with individually immaterial non-controlling interest	**86,564**	55,066	**290,667**	219,186

FEC Finance Limited's issued ordinary shares are fully held by the Group. As disclosed in note 40, FEC Finance Limited issued perpetual capital notes which are classified as equity to parties outside the Group. Such non-controlling interests of FEC Finance Limited amounted to HK$2,904,535,000 as at 31 March 2020.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the shareholders of Far East Consortium International Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Consortium International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 151 to 267, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements and estimation associated with determining the fair values. The investment properties are located in Australia, Hong Kong, the People's Republic of China and Singapore. The investment properties were carried at HK$5,426,396,000 as at 31 March 2019 and represents approximately 14% of total assets in the consolidated financial statements of the Group as at 31 March 2019. As disclosed in note 8 to the consolidated financial statements, changes in fair value of investment properties of HK$672,530,000 was recognised in the consolidated statement of profit or loss for the year then ended 31 March 2019. As disclosed in note 15 to the consolidated financial statements, all of the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgments and estimation by the directors of the Company, including market rent, market unit rate and capitalisation rate.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagements; • Obtaining an understanding of the valuation methodology and significant assumptions to assess if these approaches meet with industry norms; • Evaluating the reasonableness of the key inputs, including market rent, market unit rate and capitalisation rate adopted by the management and the Valuers, on a sample basis, by comparing the key inputs to relevant market data based on our knowledge of the property markets; and • Assessing the accuracy of the information provided by the management to the Valuers by agreeing the rental income and tenancy summary to the respective underlying tenancy agreements, on a sample basis.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognition as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss. There are judgments involved in determining the appropriate point at which to recognise revenue from sales of properties and whether the Group should recognised the revenue from sales of properties over time or at a point in time. The impact of transition to HKFRS 15 on retained profit at 1 April 2018 was disclosed to note 2 to the consolidated financial statements. Revenue from sales of property is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the property underlying the particular performance obligation is transferred to the customer. As disclosed in note 4, revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group recognised revenue of HK$3,755 million for the year ended 31 March 2019.	Our procedures in relation to revenue recognised from sales of properties included: • Assessing management's process and control over the appropriate point in time at which revenue from sales of properties is recognised and whether the Group should recognised the revenue from sales of properties over time or at a point in time; • Assessing the enforceability right to payment by checking to the terms of contracts, on a sample basis, and the applicable laws governing the contracts; • Evaluating the reasonableness of the management's estimation of the budgeted contract revenue and budgeted contract costs, on a sample basis, by checking to contracts and supporting document for revenue from sales of properties recognised over time; • Assessing the accuracy of the calculation of the stage of completion based on accumulated actual cost incurred to date over the total budgeted cost, on a sample basis; and • Evaluating the terms set out in the sales and purchase agreements, on a sample basis, for the revenue from sales of properties recognised at the point in time and obtaining evidence regarding the delivery of completed properties, including, where relevant, completion certificates and delivery notices, to assess whether the control of the completed properties have been transferred to the buyers and the Group has present right to payment.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	7	6,842,319	5,831,127
Cost of sales and services		(3,835,645)	(2,854,767)
Depreciation and amortisation of hotel and car park assets		(397,075)	(342,125)
Gross profit		2,609,599	2,634,235
Other income		65,880	32,321
Other gains and losses	8	978,918	504,558
Administrative expenses			
– Hotel operations and management		(463,766)	(387,941)
– Others		(363,396)	(272,669)
Pre-operating expenses			
–Hotel operations and management		(1,541)	(7,096)
Selling and marketing expenses		(165,509)	(128,139)
Share of results of associates		17,803	9,819
Share of results of joint ventures		2,122	–
Finance costs	9	(367,624)	(228,955)
Profit before tax		2,312,486	2,156,133
Income tax expense	10	(543,761)	(570,735)
Profit for the year	11	1,768,725	1,585,398
Attributable to:			
Shareholders of the Company		1,713,659	1,566,722
Non-controlling interests		55,066	18,676
		1,768,725	1,585,398
Earnings per share	12		
Basic (HK cents)		74	69
Diluted (HK cents)		74	69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	1,768,725	1,585,398
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss:		
Gain on revaluation of properties transferred from property, plant and equipment to investment properties	–	29,831
Fair value change on equity instruments at fair value through other comprehensive income ("FVTOCI")	(298,100)	–
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(775,077)	652,241
Fair value adjustment on cross currency swap contracts designated as cash flow hedge	23,154	115,637
Other comprehensive (expense) income for the year	(1,050,023)	797,709
Total comprehensive income for the year	718,702	2,383,107
Total comprehensive income attributable to:		
Shareholders of the Company	675,718	2,361,950
Non-controlling interests	42,984	21,157
	718,702	2,383,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Investment properties	15	**5,426,396**	3,229,437
Property, plant and equipment	16	**9,690,089**	8,175,004
Prepaid lease payments	17	**483,454**	518,752
Goodwill	18	**68,400**	68,400
Interests in associates	19	**1,061,726**	943,884
Interests in joint ventures	20(a)	**661,069**	410,417
Investment securities	21	**1,081,626**	13,564
Derivative financial instruments	29	**2,366**	–
Deposits for acquisition of property, plant and equipment		**94,426**	100,576
Amounts due from associates	44	**66,831**	66,831
Amounts due from joint ventures	44	**64,808**	27,248
Amount due from an investee company	44	**119,995**	119,995
Loan receivables	22	**233,253**	80,489
Pledged deposits	23	**15,280**	4,419
Deferred tax assets	36	**49,640**	48,410
		19,119,359	13,807,426
Current Assets			
Properties for sale	24		
Completed properties		**2,754,840**	1,148,197
Properties under development		**9,695,682**	10,094,565
Other inventories		**11,222**	8,547
Prepaid lease payments	17	**13,782**	14,569
Debtors, deposits and prepayments	25	**467,846**	522,674
Customers' deposits under escrow	26	**196,665**	512,548
Loan receivables	22	**20,244**	11,827
Contract assets	27	**215,565**	–
Contract costs	28	**360,748**	–
Amounts due from joint ventures	44	**114,494**	39,085
Amounts due from associates	44	**24,452**	27,750
Tax recoverable		**68,940**	185,745
Investment securities	21	**3,340,828**	3,506,479
Derivative financial instruments	29	**4,646**	518
Pledged deposits	23	**20,660**	17,604
Restricted bank deposits	23	**175,725**	1,547,853
Deposit in a financial institution	23	**1,561**	11,633
Bank balances and cash	23	**2,470,604**	3,031,929
		19,958,504	20,681,523

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	NOTES	2019 HK$'000	2018 HK$'000
Current Liabilities			
Creditors and accruals	30	**1,531,578**	1,725,479
Customers' deposits received		**–**	1,936,950
Contract liabilities	31	**974,166**	–
Obligations under finance leases	32	**6,697**	5,629
Amounts due to related companies	44	**623**	19,095
Amounts due to associates	44	**28,057**	27,149
Amount due to a joint venture	44	**–**	3,177
Amounts due to shareholders of non-wholly owned subsidiaries	34	**7,786**	8,232
Derivative financial instruments	29	**–**	2,211
Notes and bonds	35	**–**	907,995
Tax payable		**313,698**	361,136
Bank and other borrowings	33	**4,235,896**	5,285,719
		7,098,501	10,282,772
Net Current Assets		**12,860,003**	10,398,751
Total Assets less Current Liabilities		**31,979,362**	24,206,177
Non-current Liabilities			
Obligations under finance leases	32	**12,476**	11,518
Amount due to a shareholder of non-wholly owned subsidiary	34	**392,024**	269,491
Derivative financial instruments	29	**–**	37,439
Notes and bonds	35	**3,509,499**	3,498,958
Bank and other borrowings	33	**13,602,647**	6,661,703
Deferred tax liabilities	36	**795,228**	583,186
Other liabilities		**35,226**	–
		18,347,100	11,062,295
Net Assets		**13,632,262**	13,143,882
Capital and Reserves			
Share capital	37	**235,169**	230,179
Share premium		**4,479,650**	4,297,682
Reserves		**8,698,257**	8,442,951
Equity attributable to shareholders of the Company		**13,413,076**	12,970,812
Non-controlling interests		**219,186**	173,070
Total Equity		**13,632,262**	13,143,882

The consolidated financial statements on pages 151 to 267 were approved and authorised for issue by the Board of Directors on 20 June 2019 and are signed on its behalf by:

DAVID CHIU
DIRECTOR

CHEONG THARD HOONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	FVTOCI reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2017	223,837	4,033,779	28,458	24,896	–	(678,099)	25,454	(137,807)	1,057,764	6,213,520	10,791,802	151,913	10,943,715
Profit for the year	–	–	–	–	–	–	–	–	–	1,566,722	1,566,722	18,676	1,585,398
Gain on revaluation of properties transferred from property, plant and equipment to investment properties	–	–	–	29,831	–	–	–	–	–	–	29,831	–	29,831
Exchange differences arising on translation of foreign operations	–	–	–	–	–	649,760	–	–	–	–	649,760	2,481	652,241
Fair value adjustment on cross currency swap contracts designated as cash flows hedge	–	–	–	–	–	–	–	115,637	–	–	115,637	–	115,637
Other comprehensive income for the year	–	–	–	29,831	–	649,760	–	115,637	–	–	795,228	2,481	797,709
Total comprehensive income for the year	–	–	–	29,831	–	649,760	–	115,637	–	1,566,722	2,361,950	21,157	2,383,107
Shares issued in lieu of cash dividend	5,197	211,637	–	–	–	–	–	–	–	–	216,834	–	216,834
Shares issued upon exercise of share options	1,145	52,266	–	–	–	–	(24,213)	–	–	–	29,198	–	29,198
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(428,972)	(428,972)	–	(428,972)
At 31 March 2018	230,179	4,297,682	28,458	54,727	–	(28,339)	1,241	(22,170)	1,057,764	7,351,270	12,970,812	173,070	13,143,882
Adjustments (note 2)	–	–	–	–	–	–	–	–	–	85,714	85,714	3,132	88,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	FVTOCI reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018 (restated)	230,179	4,297,682	28,458	54,727	–	(28,339)	1,241	(22,170)	1,057,764	7,436,984	13,056,526	176,202	13,232,728
Profit for the year	–	–	–	–	–	–	–	–	–	1,713,659	1,713,659	55,066	1,768,725
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(762,995)	–	–	–	–	(762,995)	(12,082)	(775,077)
Fair value adjustment on cross currency swap contracts designated as cash flows hedge	–	–	–	–	–	–	–	23,154	–	–	23,154	–	23,154
Fair value change of equity instruments at fair value through other comprehensive income	–	–	–	–	(298,100)	–	–	–	–	–	(298,100)	–	(298,100)
Other comprehensive (expense) income for the year	–	–	–	–	(298,100)	(762,995)	–	23,154	–	–	(1,037,941)	(12,082)	(1,050,023)
Total comprehensive (expense) income for the year	–	–	–	–	(298,100)	(762,995)	–	23,154	–	1,713,659	675,718	42,984	718,702
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(506,247)	(506,247)	–	(506,247)
Shares issued in lieu of cash dividend	6,202	231,613	–	–	–	–	–	–	–	–	237,815	–	237,815
Shares issued upon exercise of share options	150	4,917	–	–	–	–	(1,241)	–	–	–	3,826	–	3,826
Repurchase of ordinary shares	(1,362)	(54,562)	1,362	–	–	–	–	–	–	–	(54,562)	–	(54,562)
At 31 March 2019	235,169	4,479,650	29,820	54,727	(298,100)	(791,334)	–	984	1,057,764	8,644,396	13,413,076	219,186	13,632,262

Other reserve mainly comprise (a) credit balance of HK$1,038,709,000 recognised in respect of the group reorganisation in 1991, representing the excess of the value of the net assets of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition; (b) credit balance of HK$440,192,000 recognised in the year ended 31 March 2010 in respect of the gain on decrease in interest in a former non-wholly owned listed subsidiary, Dorsett Hospitality International Limited ("Dorsett"); (c) a debit balance of HK$3,097,000 and HK$1,416,000 recognised in the years ended 31 March 2013 and 31 March 2017 in respect of the excess of the consideration paid over the net assets attributable to the additional interest in an indirect subsidiary, Care Park Group Pty Limited, acquired; (d) a credit balance of HK$6,415,000 recognised in the year ended 31 March 2014 in respect of the excess of the net assets attributable to the additional interest in an indirect subsidiary, Dorsett, acquired over the consideration; (e) a debit balance of HK$746,000 recognised in the year ended 31 March 2015 in respect of the excess of consideration paid over the net assets attributable to the additional interest in an indirect subsidiary, Dorsett, acquired; (f) credit balance of HK$23,568,000 representing the difference between the Group's interest in the net assets acquired from shareholders of non-wholly owned subsidiaries and the consideration paid for the acquisition of remaining interests in Dorsett and the transfer of the net amount of HK$445,861,000 previously recognised for Dorsett in other reserve, to retained profits arising from the acquisition in the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before tax	2,312,486	2,156,133
Adjustments for:		
Share of results of joint ventures	(2,122)	–
Share of results of associates	(17,803)	(9,819)
Reversal of impairment loss recognised on interest in a joint venture	–	(11,715)
Depreciation and amortisation	407,698	355,382
Interest income	(16,654)	(16,930)
Finance costs	367,624	228,955
Change in fair value of investment properties	(672,530)	(277,389)
Change in fair value of financial assets at fair value through profit or loss	63,837	36,959
Change in fair value of derivative financial instruments	(144,738)	6,153
Gain on dissolution of subsidiaries	(36,552)	–
Gain on disposal of a subsidiary	–	(320,130)
Gain on disposal of associates	(51,677)	–
Gain on disposal of property, plant and equipment	(509)	(11,082)
Bargain purchase gain	(108,000)	–
Allowance for credit loss	12,278	11,387
Impairment loss recognised on deposits for acquisition of property, plant and equipment	–	30,000
Operating cash flows before movements in working capital	2,113,338	2,177,904
Increase in properties for sale	(2,896,967)	(1,321,420)
Increase in other inventories	(2,675)	(410)
Increase in loan receivables	(161,934)	(197)
Decrease (increase) in debtors, deposits and prepayments	434,953	(400,092)
Increase in investments held for trading	(55,818)	(1,888,376)
(Increase) decrease in derivative financial instruments	(2,099)	20,656
(Decrease) increase in creditors and accruals	(231,056)	852,435
Decrease in customers' deposits received	–	(218,620)
Increase in contract assets	(215,565)	–
Decrease in contract costs	202,866	–
Decrease in contract liabilities	(545,930)	–
Cash used in operations	(1,360,887)	(778,120)
Income tax paid	(268,781)	(487,502)
Net cash used in operating activities	(1,629,668)	(1,265,622)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Investing activities			
Acquisition of subsidiaries, net of bank balances and cash acquired	38(a)	(277,327)	–
Acquisition and development expenditures of property, plant and equipment		(1,132,721)	(475,323)
Capital investment in associates		(141,329)	(273,069)
Capital investment in joint ventures		(125,100)	(58,844)
Purchase, development expenditures and additional cost of investment properties		(553,445)	(9,221)
Acquisition of investment properties through acquisition of subsidiaries, net of bank balances and cash acquired	38(b)	(533,493)	–
Purchase of available-for-sale investments		–	(159,172)
Purchase of equity securities at FVTOCI		(1,366,163)	–
Placement of structure deposits		(166,205)	–
Withdrawal of structure deposits		270,936	–
Purchase of debt securities		(2,407,336)	–
Purchase of investment funds		(1,492,366)	–
Proceeds from sale of debt securities		2,641,401	–
Proceeds from sale of investment funds		1,311,203	–
Proceeds from disposal of a subsidiary	38(c)	–	400,605
Proceeds from disposal of associates		51,677	–
Proceeds from disposal of investments properties		49,120	42,465
Proceeds from disposal of property, plant and equipment		711	20,254
Placement of pledged deposits		(29,573)	(728)
Release of pledged deposits		15,656	7,763
Placement of restricted bank deposits		(175,632)	(1,515,124)
Release of restricted bank deposits		1,547,760	267,803
Repayment from an associate		3,298	10,077
(Advance to) repayment from a joint venture		(116,193)	1,773
Repayment from a joint venture		–	77,313
Dividend and distribution received from associates and a joint venture		41,707	29,030
Bank interest received		16,654	16,930
Net cash used in investing activities		(2,566,760)	(1,617,468)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Advances from shareholders of non-wholly owned subsidiaries	122,087	3,507
Payment of repurchase of shares	(54,562)	–
Proceeds from issue of shares	3,826	29,198
Net proceeds on issue of notes	–	1,156,383
Repayment of bonds	(1,012,905)	–
New bank and other borrowings raised	11,931,345	6,587,313
Repayments of bank and other borrowings	(6,444,568)	(5,137,784)
Payments of finance lease obligations	(5,972)	(4,156)
(Repayment to) advance from a related company	(17,691)	2,280
Advance from an associate	2,509	19,963
Advance from other parties	33,109	–
(Repayment to) advance from a joint venture	(3,177)	3,177
Dividends paid	(268,432)	(212,138)
Interest paid	(621,132)	(484,803)
Net cash from financing activities	3,664,437	1,962,940
Net decrease in cash and cash equivalents	(531,991)	(920,150)
Cash and cash equivalents brought forward	3,043,562	3,893,339
Effect of foreign exchange rate changes	(39,406)	70,373
Cash and cash equivalents carried forward	2,472,165	3,043,562
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,470,604	3,031,929
Deposit in a financial institution	1,561	11,633
	2,472,165	3,043,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

Far East Consortium International Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The ultimate controlling shareholder is Tan Sri Dato' David CHIU. The shares of the company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are together referred to as the Group. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the 2019 annual report issued by the Company.

The principal activities of the Group are property development, property investment, hotel operations and management, car park operations and facilities management, gaming and related operations and securities and financial product investments. The details of the principal subsidiaries are set out in note 50.

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

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

HKFRS 15 *Revenue from Contracts with Customers*

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

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

- sales of properties;
- leasing of properties;
- hotel operations and management;
- car park operations and facilities management;
- property management services;
- gaming and related operations; and
- interest and dividend income from financial instruments.

Income from leasing of properties and interest and dividend income continued to be accounted under HKAS 17 *Leases* and HKFRS 9 *Financial instruments*, respectively.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 7 and 3 respectively.

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

HKFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained profits at 1 April 2018.

	Notes	Impact of adopting HKFRS 15 at 1 April 2018 HK$'000
Retained profits		
Sales of properties recognised over time, less related cost of sales and finance costs	(a)	44,273
Recognition of contract costs	(b)	60,599
Tax effects	(a), (b)	(16,026)
Impact at 1 April 2018		88,846
Attributable to:		
Shareholders of the Company		85,714
Non-controlling interests		3,132
		88,846

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

	Notes	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current Assets					
Properties for sales					
– Properties under development	(a), (b)	10,094,565	(221,208)	(372,581)	9,500,776
Contract costs	(b)	–	221,208	60,599	281,807
Capital and Reserves					
Retained profits	(a), (b)	7,351,270	–	85,714	7,436,984
Non-controlling interests	(a)	173,070	–	3,132	176,202
Current Liabilities					
Customers' deposits received	(a), (c)	1,936,950	(1,520,096)	(416,854)	–
Contract liabilities	(c)	–	1,520,096	–	1,520,096
Non-current Liabilities					
Deferred tax liabilities	(a), (b)	583,186	–	16,026	599,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

HKFRS 15 *Revenue from Contracts with Customers* (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

(a) Taking into account the contract terms, business practice and the legal and regulatory environment in Singapore and Malaysia, the sales contracts in respect to the sales of properties provide the Group enforceable right to payment for performance completed to date with no alternative use of the properties by the Group and hence should be recognised over time upon application of HKFRS 15. At the date of initial application of HKFRS 15, the amount of additional revenue that would have been recognised in prior years in accordance with HKFRS 15 in relation to uncompleted contracts at that date amounted to HK$416,854,000, and this has been adjusted to customers' deposits received. The related cost of sales amounted to HK$343,403,000 and finance cost previously capitalised amounted to HK$29,178,000 have been adjusted to properties under development. The finance cost incurred after the relevant properties are ready for intended sales is not eligible for capitalisation. The related deferred tax impact of HK$11,582,000 was recognised to deferred tax liabilities. The net impact of the above adjustments of HK$32,691,000 was recognised to retained profits, representing profits of HK$29,559,000 attributable to shareholders of the Company and profit of HK$3,132,000 attributable to non-controlling interests.

(b) The Group incurred incremental commission paid/payable to intermediaries in connection with obtaining sales of properties contracts with customers. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts of HK$60,599,000 which were previously expensed to the profit or loss related to contracts that are not completed as at 1 April 2018. This amount and the related deferred tax impact of HK$4,444,000 were recognised in retained profits and they are reclassified to contract costs and deferred tax liabilities respectively upon adoption of HKFRS 15. The remaining amount of HK$221,208,000 which was previously capitalised into properties for/under development was reclassified to contract costs upon adoption of HKFRS 15.

(c) Advance proceeds received from customers relating to properties sales included as customer deposits received of HK$1,520,096,000 were reclassified to contract liabilities.

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

Impact on the consolidated statement of financial position

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Assets				
Properties for sales				
– Properties under development	(a), (b)	9,695,682	1,197,791	10,893,473
Contract assets	(a)	215,565	(215,565)	–
Contract costs	(b)	360,748	(360,748)	–
Capital and Reserves				
Retained profits	(a)	8,644,396	(179,511)	8,464,885
Non-controlling interests	(a)	219,186	(51,709)	167,477
Current Liabilities				
Customers' deposits received	(a), (c)	–	(1,867,289)	(1,867,289)
Contract liabilities	(c)	974,166	(974,166)	–
Non-current Liabilities				
Deferred tax liabilities	(a)	795,228	(40,425)	754,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

HKFRS 15 *Revenue from Contracts with Customers* (continued)

Impact on the consolidated statement of profit or loss

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	(a)	6,842,319	(1,108,688)	5,733,631
Cost of sales and services	(a)	(3,835,645)	867,265	(2,968,380)
Selling and marketing expenses	(b)	(165,509)	(63,896)	(229,405)
Finance costs	(a)	(367,624)	33,674	(333,950)
Income tax expense	(a)	(543,761)	40,425	(503,336)
Profit attributable to non-controlling interests	(a)	55,066	(51,709)	3,357

Impact on the consolidated statement of cash flows

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities				
Profit before tax	(a)(b)	2,312,486	(271,645)	2,040,841
Finance costs	(a)	367,624	(33,674)	333,950
Increase in properties for sale	(a)(b)	(2,896,967)	(1,164,117)	(4,061,084)
Increase in contract assets	(a)	(215,565)	215,565	–
Decrease in contract costs	(a)	202,866	(202,866)	–
Decrease in customers' deposits received	(c)	–	910,807	910,807
Decrease in contract liabilities	(c)	(545,930)	545,930	–

Notes:

(a) Under HKFRS 15, the Group recognised sale of properties over time with revenue amounted to HK$1,108,688,000, and this has been adjusted to customers' deposits received and contract assets. The related cost of sales amounted to HK$867,265,000 and finance cost amounting to HK$33,674,000 have been adjusted to properties under development. The related deferred tax impact of HK$40,425,000 was recognised to deferred tax liabilities. The net impact of the above adjustments of HK$231,220,000 was recognised to retained profits, representing profits of HK$179,511,000 attributable to shareholders of the Company and profit of HK$51,709,000 attributable to non-controlling interests.

(b) The incremental costs of obtaining contracts of HK$296,852,000 and HK$63,896,000 as at 31 March 2019 that would have been recognised in properties under development and selling and marketing expenses respectively under HKAS18 were reclassified to contract costs upon adoption of HKFRS 15.

(c) Advance proceeds received from customers relating to properties sales included as customers' deposits received of HK$974,166,000 were reclassified to contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

HKFRS 9 *Financial Instruments*

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Available-for-sale investments HK$'000	Debtors, deposits and prepayment HK$'000	Investments held for trading HK$'000	Equity securities at FVTPL HK$'000	Investment funds HK$'000	Debt instruments at FVTPL HK$'000	Financial assets designated at FVTPL HK$'000	Structured deposits HK$'000
Closing balance at 31 March 2018 – HKAS 39		159,987	522,674	3,319,556	–	–	–	40,500	–
Effect arising from initial application of HKFRS 9									
Reclassification									
From available-for-sale investments	(a)	(159,987)	688	–	12,876	–	146,423	–	–
From held for trading	(b)	–	–	(3,319,556)	62,218	588,929	2,668,409	–	–
From financial assets designated at FVTPL	(b)	–	–	–	–	–	–	(40,500)	40,500
Opening balance at 1 April 2018		–	523,362	–	75,094	588,929	2,814,832	–	40,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

HKFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Notes:

(a) **Available-for-sale investments**

From available-for-sale equity investments to fair value through profit or loss ("FVTPL")

At the date of initial application of HKFRS 9, the Group's equity investments of HK$12,876,000 previously measured at cost less impairment under HKAS 39 were reclassified from available-for-sale investments to equity securities at FVTPL.

From available-for-sale debt instruments to FVTPL

Debt securities at fair value amounting to HK$146,423,000 were reclassified from available-for-sale investments to debt instruments at FVTPL, as the debt securities are not held within business models whose objective is to collect contractual cash flows or both to collect contractual cashflow and to sell.

(b) **Financial assets at FVTPL**

Investments held for trading and financial assets designated at FVTPL

The Group has reassessed its investments in listed equity securities, listed and unlisted debt securities and investment funds classified as held for trading under HKAS 39 as if the Group has purchased these investments as the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$3,257,338,000 of the Group's investments were no longer held for trading but continue to be measured at FVTPL, because either (i) the contractual cash flows of these financial assets do not represent solely parts of principal and interest on the principal amount outstanding, or (ii) these financial assets are not held within business models whose objective is to collect contractual cash flows or both to collect contractual cash flows and to sell. The investments in listed equity securities amounting to HK$62,218,000 continued to be held for trading and measured at FVTPL.

The Group no longer designate its structured deposits at FVTPL. At the date of initial application, the Group's structured deposits, which is managed and its performance evaluated on a fair value basis, was reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) **Impairment under ECL model**

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade debtors. Except for those which had been determined as credit impaired under HKAS 39, trade debtors have been grouped based on past due status for impairment assessment and contract assets have been assessed for impairment individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for same types of contracts. The Group has therefore estimated the expected loss rates for the trade debtors and the contract assets on the same basis.

Assessment of loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged deposits, restricted bank deposits, deposit in a financial institution, bank balances, customers' deposits under escrow, loan receivables and amounts due from associates, joint ventures, an investee company are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. The directors considered that the measurement of ECL has no material impact to the Group's retained profits as at 1 April 2018.

Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The application of the amendments to HKAS 40 has had no material impact to the net assets of the Group as at 1 April 2018 or at 31 March 2019 or the profit or loss of the Group of the year then ended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the accounting policies above, the opening consolidated statement of financial position had to be restated. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 April 2018 HK$'000
Non-current Assets				
Investment securities				
– Available-for-sale investments	13,564	–	(13,564)	–
– Equity securities at FVTPL	–	–	12,876	12,876
Current Assets				
Properties for sale				
– Properties under development	10,094,565	(593,789)	–	9,500,776
Debtors, deposits and prepayments	522,674	–	688	523,362
Contract costs	–	281,807	–	281,807
Investment securities				
– Available-for-sale investments	146,423	–	(146,423)	–
– Investments held for trading	3,319,556	–	(3,319,556)	–
– Debt instruments at FVTPL	–	–	2,814,832	2,814,832
– Financial assets designated at FVTPL	40,500	–	(40,500)	–
– Structured deposits	–	–	40,500	40,500
– Equity securities at FVTPL	–	–	62,218	62,218
– Investment funds	–	–	588,929	588,929
Current Liabilities				
Customers' deposits received	1,936,950	(1,936,950)	–	–
Contract liabilities	–	1,520,096	–	1,520,096
Non-current Liability				
Deferred tax liabilities	583,186	16,026	–	599,212
Capital and Reserves				
Retained profits	7,351,270	85,714	–	7,436,984
Non-controlling interests	173,070	3,132	–	176,202

Except as disclosed above, the application of other new HKFRSs and amendments to HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

HKFRS 16 *Leases* (continued)

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

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$412,222,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted after reattribution of relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Acquisition of a subsidiary not constituting a business

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or capital appreciation rather than for sale in the ordinary course business, which is evidenced by inception of an operating lease to another party. Property inventory is transferred to investment properties when it is evidenced by the commencement of an operating lease to another party prior to 1 April 2018. The difference between the fair value and the carrying amount at the date of transfer is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land and freehold land held for use in the production or supply of goods or services, or for administrative purpose (other than properties under development and construction-in-progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

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

Depreciation is recognised so as to write off the cost of property, plant and equipment other than properties under development and construction-in-progress less their residual values over their estimated useful lives, using the straight-line method. No depreciation is provided on buildings and hotel under development which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease terms and their useful lives.

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

If an item of property, plant and equipment is transferred to an investment property when there is a change of use, evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the asset revaluation reserve will be transferred directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets and contract costs other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets and contract costs other than goodwill (continued)

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Investments in associates and joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Inventories

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties for sale less all estimated costs necessary to make the sale.

When the building on the leasehold land is in the course of development and the leasehold land component is accounted for as operating lease, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction.

Properties which are intended for sale after completion of development within the Group's normal operating cycle are stated at the lower of cost and net realisable value. Cost includes costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties. Such properties are recorded as properties for sales under current assets. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to incur in marketing and selling the properties.

Other inventories

Other inventories, comprising food and beverage, are stated at the lower of cost and net realisable value. Costs of other inventories are determined on a first-in-first-out basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

Financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

A financial asset is classified as held for trading if:

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade debtors, other receivables, customers' deposits under escrow, amounts due from related parties, pledged deposits, restricted bank deposits, deposit in a financial institution, bank balances, loan receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade debtors and contract assets and the ECL on these assets are assessed based on past due status and individually respectively.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset which is in the "other gains and losses" line item. Fair value is determined in the manner described in note 47.

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

Available-for-sale financial assets (continued)

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from related parties, debtors, other receivables, loans to a joint venture, pledged deposits, restricted bank deposits, deposit in a financial institution, deposits receivable from stakeholders, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

For certain categories of financial assets, such as trade debtors, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

Financial liabilities at amortised cost

Financial liabilities including creditors, amounts due to related companies, associates, joint ventures and shareholders of non-wholly owned subsidiaries, notes and bonds, bank and other borrowings, and other liabilities are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

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

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative standalone selling price basis.

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

Sales of properties

Revenue from properties sales is recognised over time when the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from properties sales is recognised at a point in time when the completed property is delivered and transferred to customers, being at the point that the customer obtains the control of the completed property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Sales of properties (continued)

For the progress towards complete satisfaction of a performance obligation that is recognised over time, revenue is recognised based on the stage of completion of the contract using the input method.

The Group's sales contracts with customers include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade debtors when the rights become unconditional.

The Group receives deposits from customers when they sign the sale and purchase agreement.

Deposits received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

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

Hotel operations and management, car park operations and facilities management, property management services

As the customers simultaneously receive and consume the benefit provided by the Group's performance as the Group performs, the Group recognises the service fee received or receivable from the customers as its revenue over time using output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Gaming and related operations

Gaming revenue is the aggregate net difference between gaming wins and losses. The Group accounts for gaming revenue on a portfolio basis given the similar characteristics of wagers by recognising net win per gaming day.

Incremental costs of obtaining a contract

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

The Group recognises such costs (property sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related taxes as follows:

- Revenue from sales of properties is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits under current liabilities.

- Revenue from hotel operations and hotel management service fee are recognised when the relevant services are provided.

- Revenue from car park operations and facilities management is recognised when the relevant facilities are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time appointment basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliability).

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for "Leasing" above.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Upon application of HKFRS 15 on 1 April 2018, the Group ceases to capitalise borrowing costs incurred to properties under development for which revenue is recognised over time as soon as the relevant properties are ready for the Group's intended sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employee are measured at the fair value of the equity instruments at the grant date.

Share options granted to employees

The fair value determined at the grant date of the equity-settled share-based payments equity is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

Short-term and other long-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Critical judgement in applying accounting policies

Revenue recognised from sales of properties over time

Certain revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. Management, in interpreting the applicable laws and exercising its judgements, has identified sales contracts in Singapore and Malaysia has enforceable right to payment for performance completed to date while sales contracts in Hong Kong, People's Republic of China ("PRC") and Australia have no such rights.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that (a) the Group's investment properties in Hong Kong and Singapore are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, (b) the Group's investment properties in the PRC and Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties in Hong Kong and Singapore, the directors of the Group have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The presumption that the carrying amounts of the Group's investment properties situated in the PRC and Australia are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

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For the year ended 31 March 2019

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Key sources of estimation uncertainty

Fair value measurement and valuation processes

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities, including the investment properties and financial instruments are disclosed in notes 15 and 47.

Deferred tax

As 31 March 2019, a deferred tax asset of HK$68,021,000 (2018: HK$69,793,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The reliability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Group determine whether deferred tax assets would be recognised based on profit projections of the respective group entities and the expected reversal of taxable temporary differences in the coming years. The Group reviews the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the year in which such a recognition or reversal takes place.

No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

5. CAPITAL RISK MANAGEMENT

It is the Group's policy to maintain a strong capital base so as to safeguard the Group's ability to continue as a going concern and to sustain future development of the Group's business. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, notes and bonds, net of bank balances and cash, restricted bank deposits, pledged deposits, customers' deposits under escrow and deposit in a financial institution), and equity attributable to shareholders of the Company, comprising issued share capital, share premium, reserves.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall structure through issuance of new shares, raising new debts and repayment of existing debts, if necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision makers. Information reported to the Group's chief operating decision makers, who are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on nature of operations by various geographical locations stated as below:

- Property development (including investment properties developed and managed by the same management team)
- Property investment
- Hotel operations and management (including the investment properties which are an integral part of the hotel buildings and which are managed by the hotel management team)
- Car park operations and facilities management
- Gaming operations
- Securities and financial product investments
- Provision of mortgage services
- Other operations, which mainly include provision of engineering services

After the completion of the acquisition of Trans World Corporation ("TWC"), gaming operations became a new reportable segment. In addition, gaming operations also include the investment in The Star Entertainment Group Limited which is engaged in the gaming business in Australia and which is classified as equity instruments at FVTOCI during the year. Due to the expansion of provision of mortgage loan business which was previously presented as part of other operations, provision of mortgage services is presented as a new reportable segment in the current year. The comparative figures have been re-presented.

(a) Segment revenue and results

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

	Segment revenue		Segment profit (loss)	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Property development				
– Australia	572,064	1,310,716	133,586	332,817
– Hong Kong ("HK")	1,323,159	–	357,019	(40,461)
– Malaysia	20,705	385,672	2,778	184,672
– Other regions in People's Republic of China excluding HK ("PRC")	743,670	1,733,112	637,132	1,108,991
– Singapore	1,150,194	–	235,694	(53,548)
– United Kingdom ("UK")	1,425	1,295	(1,583)	(16,056)
	3,811,217	3,430,795	1,364,626	1,516,415
Property investment				
– Australia	4,242	5,894	2,241	5,317
– HK	38,276	43,418	191,853	251,003
– PRC	21,572	16,361	(12,468)	(20,090)
	64,090	65,673	181,626	236,230

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For the year ended 31 March 2019

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

	Segment revenue		Segment profit (loss)	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Hotel operations and management				
– HK	846,830	776,474	228,005	476,134
– Malaysia	227,375	237,786	21,073	34,703
– PRC	263,488	254,898	280,889	(27,065)
– Singapore	93,623	96,098	28,324	27,785
– UK	253,249	172,546	55,031	20,594
– Europe (other than UK)	133,057	–	6,500	–
	1,817,622	1,537,802	619,822	532,151
Car park operations and facilities management				
– Australia and New Zealand	668,772	639,086	37,443	56,770
– Europe	43,190	19,046	1,805	52,654
– Malaysia	8,496	8,248	7,517	6,314
	720,458	666,380	46,765	115,738
Gaming operations				
– Australia	62,432	–	62,425	–
– Czech Republic	196,864	–	9,617	–
	259,296	–	72,042	–
Securities and financial product investments	131,715	126,024	64,327	89,915
Provision of mortgage services				
– Australia	34,415	–	238,761	781
– Hong Kong	3,487	1,335	4,364	5,810
	37,902	1,335	243,125	6,591
Other operations	19	3,118	(6,738)	18,826
Segment revenue/segment profit	6,842,319	5,831,127	2,585,595	2,515,866
Bargain purchase gain			108,000	–
Unallocated corporate income and expenses			(13,485)	(130,778)
Finance costs			(367,624)	(228,955)
Profit before tax			2,312,486	2,156,133
Income tax expense			(543,761)	(570,735)
Profit for the year			1,768,725	1,585,398

None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer contributed over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. SEGMENT INFORMATION (continued)

(b) Segment assets

The following is an analysis of the Group's assets by reportable segment as at the end of the reporting period. Segment assets represent assets held by each segment without allocation of corporate assets which are mainly bank balances and cash and deposit in a financial institution.

	2019 HK$'000	2018 HK$'000
Property development		
– Australia	5,056,114	4,335,197
– HK	2,521,993	3,195,592
– Malaysia	524,652	533,121
– PRC	2,446,147	2,434,798
– Singapore	5,780,657	3,289,337
– UK	1,117,764	827,832
	17,447,327	14,615,877
Property investment		
– Australia	270,049	180,808
– HK	2,464,766	2,349,987
– PRC	5,566	5,949
	2,740,381	2,536,744
Hotel operations and management		
– Australia	1,537,990	–
– HK	3,236,558	4,401,624
– Malaysia	851,487	912,235
– PRC	2,007,458	1,963,512
– Singapore	586,652	618,394
– UK	1,200,863	1,327,038
– Europe (other than UK)	290,935	–
	9,711,943	9,222,803
Car park operations and facilities management		
– Australia and New Zealand	894,177	927,723
– Europe	446,390	394,673
– Malaysia	137,797	140,375
	1,478,364	1,462,771
Gaming operations		
– Australia	1,091,762	–
– Czech Republic	308,965	–
	1,400,727	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. SEGMENT INFORMATION (continued)

(b) Segment assets (continued)

	2019 HK$'000	2018 HK$'000
Securities and financial product investments	3,019,617	3,366,478
Provision of mortgage services		
– Australia	568,095	81,449
– Hong Kong	233,947	151,879
	802,042	233,328
Other operations	5,297	7,386
Segment assets	36,605,698	31,445,387
Unallocated corporate assets	2,472,165	3,043,562
Total assets	39,077,863	34,488,949

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the operating location and (ii) the Group's non-current assets by location of assets, excluding investment securities, derivative financial instruments, amounts due from associates, amounts due from joint ventures, amount due from an investee company, loan receivables, pledged deposits and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Australia and New Zealand	1,341,925	1,955,696	3,864,363	2,034,183
Czech Republic	329,921	–	544,063	–
HK	2,343,485	950,369	5,521,502	5,574,954
Malaysia	256,576	631,706	978,109	1,009,697
PRC	1,028,730	2,004,371	3,264,554	2,551,594
Singapore	1,243,818	96,098	1,704,597	602,564
UK	278,709	185,119	1,309,885	1,172,598
Europe (other than UK)	19,155	7,768	298,487	500,880
	6,842,319	5,831,127	17,485,560	13,446,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. SEGMENT INFORMATION (continued)

(d) Other information

The following table sets out amounts included in the measure of segment profit or loss or segment assets:

	2019								
	Property development HK$'000	Property investment HK$'000	Hotel operations and management HK$'000	Gaming operations HK$'000	Car park operations and facilities management HK$'000	Securities and financial product investments HK$'000	Provision of mortgage services HK$'000	Other operations HK$'000	Consolidated HK$'000
Allowance for credit loss	(410)	(5,632)	(4,097)	-	(2,139)	-	-	-	(12,278)
Depreciation and amortisation	(3,562)	(1,931)	(344,384)	(17,916)	(34,817)	-	-	(5,088)	(407,698)
Change in fair value of investment properties	274,016	117,050	281,464	-	-	-	-	-	672,530
Change in fair value of financial assets at FVTPL	-	-	1,832	-	-	(65,669)	-	-	(63,837)
Change in fair value of derivative financial instruments	-	14,985	8,423	-	-	(2,517)	123,847	-	144,738
Share of results of associates	(2,132)	19,935	-	-	-	-	-	-	17,803
Share of results of joint ventures	893	-	-	-	1,229	-	-	-	2,122
Interests in associates	792,796	268,930	-	-	-	-	-	-	1,061,726
Interests in joint ventures	363,704	-	117,325	-	3,557	-	176,483	-	661,069
Acquisition of property, plant and equipment	30,301	2,541	1,325,189	298,465	63,343	-	-	229	1,720,068
Investment securities	5	-	16,611	1,065,010	-	2,981,450	359,378	-	4,422,454
Contract costs	360,748	-	-	-	-	-	-	-	360,748

	2018						
	Property development HK$'000	Property investment HK$'000	Hotel operations and management HK$'000	Car park operations and facilities management HK$'000	Securities and financial product investments HK$'000	Other operations HK$'000	Consolidated HK$'000
Impairment loss recognised on trade debtors	–	(52)	(11,335)	–	–	–	(11,387)
Impairment loss recognised on deposits for acquisition of property, plant and equipment	–	–	(30,000)	–	–	–	(30,000)
Depreciation and amortisation	(2,242)	(6,168)	(313,609)	(28,587)	–	(4,776)	(355,382)
Change in fair value of investment properties	39,561	209,342	(9,197)	37,683	–	–	277,389
Change in fair value of financial assets at FVTPL	–	356	4,724	–	(42,039)	–	(36,959)
Change in fair value of derivative financial instruments	–	–	12,788	–	5,166	(24,107)	(6,153)
Share of results of associates	(2,752)	12,571	–	–	–	–	9,819
Reversal of impairment loss recognised on interest in a joint venture	–	–	–	–	–	11,715	11,715
Interests in associates	649,960	258,090	34,946	–	–	888	943,884
Interests in joint ventures	230,716	–	177,205	2,481	–	15	410,417

Information about segment liabilities are not regularly reviewed by chief operating decision makers. Accordingly, segment liability information is not presented.

7. REVENUE

Revenue represents the aggregate amount of proceeds from sales of properties, gross rental from leasing of properties, income from hotel operations and management, car park operations and facilities management, gaming operations, provision of property management services, interest income and dividend income from financial instruments and other operations as set out as follows:

	2019 HK$'000	2018 HK$'000
Sales of properties	3,755,246	3,407,758
Hotel operation		
– room revenue	1,512,783	1,303,404
– food and beverage	243,267	168,166
Car park income	721,498	667,014
Gaming revenue	196,864	–
Provision of property management services	24,506	15,305
Other operations	775	3,118
Revenue from contracts with customers	6,454,939	5,564,765
Leasing of properties	155,331	139,003
Loan interest income	3,487	1,335
Interest income and dividend income from financial instruments	228,562	126,024
	6,842,319	5,831,127
Timing of revenue recognition from contracts with customers		
– At a point in time	3,052,838	N/A
– Over time	3,402,101	N/A
	6,454,939	N/A

The disaggregation of revenue by geographical location is consistent with the segment disclosures under note 6.

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

	For the year ended 31 March 2019				
		Adjustments			
	Segment revenue HK$'000	Leasing of properties and car park income HK$'000	Food and beverage HK$'000	Interest and dividend income HK$'000	Consolidation HK$'000
Sales of properties	3,811,217	(55,971)	–	–	3,755,246
Hotel revenue	1,817,622	(60,816)	(244,023)	–	1,512,783
Car park income	720,458	1,040	–	–	721,498
Gaming revenue	259,296	–	–	(62,432)	196,864
Provision of property management services	–	24,506	–	–	24,506
Food and beverage	–	–	243,267	–	243,267
Other operations	19	–	756	–	775
Revenue from contracts with customers	6,608,612	(91,241)	–	(62,432)	6,454,939
Leasing of properties	64,090	91,241		–	155,331
Provision of mortgage services	37,902	–	–	(34,415)	3,487
Interest income and dividend income from financial instruments	131,715	–	–	96,847	228,562
Total revenue	6,842,319	–	–	–	6,842,319

7. REVENUE (continued)

Performance obligations for contracts with customers

Sales of properties recognised at point in time

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers other than sales of properties in Singapore and Malaysia. Revenue from sales of such residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

In different location, the Group receives 1% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits result in contract liabilities being recognised throughout the property construction period.

The Group considers the deposits do not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money.

Sales of properties recognised over time

Revenue from sales of properties in Singapore and Malaysia is recognised over time because the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Revenue for these sales of properties is recognised based on the stage of completion of the contract using input method.

The Group's sales contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 5% to 20% of total contract sum, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

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

Hotel revenue

The hotel room revenue from customers are recognised over time using output method when the service and facilities are provided. The Group allows an average credit period is not more than 30 days to travel agents and corporate customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. REVENUE (continued)

Performance obligations for contracts with customers (continued)

Car park income

The car park revenue from customers are recognised over time using output method when the service and facilities are provided.

Gaming revenue

Gaming revenue is the aggregate net difference between gaming wins and losses.

Provision of property management services

Revenue from property management service is recognised over time as income when the services and facilities are provided.

Food and beverage

For income from food and beverages, revenue is recognised when the food and beverages are delivered to the customer.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follow:

	Sales of properties HK$'000
Within one year	3,121,906
More than one year but not more than two years	5,426,810
More than two years	6,176,401
	14,725,117

The amount disclosed above do not include transaction price allocated to performance obligation which are part of contracts that have an original expected duration of one year or less, and also contracts for property management services in which the Group bills a fixed amount each month according to the terms.

As at 31 March 2019, contracts with customers with unsatisfied performance obligations for the income from gaming operations, hotel revenue, car park income have original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Change in fair value of investment properties	672,530	277,389
Change in fair value of financial assets at FVTPL	(63,837)	(36,959)
Change in fair value of derivative financial instruments	144,738	(6,153)
Net foreign exchange gains (losses)	41,027	(31,259)
Gain on disposal of a subsidiary	–	320,130
Gain on disposal of associates	51,677	–
Gain on dissolution of subsidiaries	36,552	–
Allowance for credit loss	(12,278)	(11,387)
Reversal of impairment loss recognised on interest in a joint venture	–	11,715
Impairment loss recognised on deposits for acquisition of property, plant and equipment (Note)	–	(30,000)
Gain on disposal of property, plant and equipment	509	11,082
Bargain purchase gain (note 38(a))	108,000	–
	978,918	504,558

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank borrowings	550,497	343,763
Other loans	21,955	975
Interest on notes and bonds	143,768	154,954
Amortisation of front-end fee	11,527	11,729
Others	32,528	1,602
Total interest costs	760,275	513,023
Less: amounts capitalised to properties under development:		
– properties for owners' occupation	(55,263)	(6,965)
– properties for sale	(337,388)	(277,103)
	367,624	228,955

Borrowing costs capitalised during the year which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 1.99% to 4.50% (2018: 2.54% to 6.17%) per annum to expenditure on the qualifying assets.

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	78,970	22,143
PRC Enterprise Income Tax ("PRC EIT")	92,045	248,385
PRC Land Appreciation Tax ("PRC LAT")	94,226	144,639
Australia Income Tax	16,685	44,361
Malaysia Income Tax	4,049	32,602
Singapore Income Tax	5,241	6,427
UK Income Tax	8,293	3,293
Czech Republic Income Tax	4,528	–
	304,037	501,850
Under(over)provision in prior years:		
Hong Kong Profits Tax	17,934	2,005
PRC EIT	10,890	25,000
Australia Income Tax	(2,038)	(76,240)
Malaysia Income Tax	182	(750)
Singapore Income Tax	3	(12,171)
	26,971	(62,156)
Deferred taxation (note 36)	212,753	131,041
	543,761	570,735

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years of each individual company comprising the Group less tax losses brought forward where applicable.

PRC EIT is calculated in accordance with the EIT Law and Implementation Regulations of the EIT Law at the rate of 25% for both years.

PRC LAT is levied at the deemed levying rates in accordance with the relevant PRC tax laws and regulations.

The domestic statutory tax rate of Australia, Malaysia, Singapore, UK and Czech Republic is 30%, 24%, 17%, 19% and 19% of the estimated assessable profits for both years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. INCOME TAX EXPENSE (continued)

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

	Hong Kong HK$'000	PRC HK$'000	Australia HK$'000	Malaysia HK$'000	Singapore HK$'000	Others HK$'000	Consolidated HK$'000
2019							
Profit before tax	571,958	895,395	464,169	19,176	187,566	174,222	2,312,486
Applicable income tax rate	16.5%	25%	30%	24%	17%	19% to 30%	
Tax at the applicable income tax rate	94,373	223,849	139,251	4,602	31,886	33,984	527,945
Tax effect of expenses not deductible for tax purpose	55,622	11,308	30,710	2,275	9,430	1,546	110,891
Tax effect of income not taxable for tax purpose	(64,425)	(10,236)	(93,818)	(605)	(2,283)	(25,041)	(196,408)
PRC LAT	–	94,226	–	–	–	–	94,226
Utilisation of tax losses previously not recognised	(19,204)	(1,589)	(212)	–	(430)	–	(21,435)
Tax effect of PRC LAT	–	(23,557)	–	–	–	–	(23,557)
Tax effect of taxable temporary difference previously not recognised	–	13,538	132	–	–	–	13,670
Utilisation of tax effect of deductible temporary differences previously not recognised	(1,022)	–	–	(2,071)	–	–	(3,093)
Tax effect of tax losses not recognised	13,495	12,265	–	455	–	–	26,215
Tax effect of share of results of associates	(3,289)	–	640	–	–	–	(2,649)
Tax effect of share of results of a joint venture	(350)	–	–	–	–	–	(350)
Recognition of deferred tax assets for previously unrecognised tax losses	(10,000)	–	–	–	–	–	(10,000)
(Over) underprovision in prior years	17,934	10,890	(2,038)	182	3	–	26,971
Others	(21)	(1,789)	842	(223)	(1,714)	4,240	1,335
Income tax expense for the year	83,113	328,905	75,507	4,615	36,892	14,729	543,761

	Hong Kong HK$'000	PRC HK$'000	Australia HK$'000	Malaysia HK$'000	Singapore HK$'000	Others HK$'000	Consolidated HK$'000
2018							
Profit (loss) before tax	459,945	1,081,194	382,259	212,512	(38,620)	58,843	2,156,133
Applicable income tax rate	16.5%	25%	30%	24%	17%	16.5% to 25%	
Tax at the applicable income tax rate	75,891	270,299	114,678	51,003	(6,565)	10,602	515,908
Tax effect of expenses not deductible for tax purpose	30,644	5,532	11,859	3,363	3,966	2,078	57,442
Tax effect of income not taxable for tax purpose	(106,509)	(7,829)	(30,608)	(9,426)	(127)	(8,860)	(163,359)
PRC LAT	–	144,639	–	–	–	–	144,639
Tax effect of deductible temporary difference not recognised	–	–	3,557	–	12,377	5,759	21,693
Utilisation of tax losses previously not recognised	(10,586)	(9,342)	–	–	–	(1,612)	(21,540)
Tax effect of PRC LAT	–	(36,159)	–	–	–	–	(36,159)
Tax effect of over provision in prior year on current year deferred taxation	–	–	76,240	–	–	–	76,240
Utilisation of tax effect of deductible temporary differences previously not recognised	(2,431)	–	–	(11,190)	–	–	(13,621)
Tax effect of tax losses not recognised	20,541	18,252	–	601	9,379	–	48,773
Tax effect of share of results of associates	2,074	–	(826)	–	–	–	1,248
(Over) underprovision in prior years	2,005	25,000	(76,240)	(750)	(12,171)	–	(62,156)
Others	(820)	608	16	872	(225)	1,176	1,627
Income tax expense for the year	10,809	411,000	98,676	34,473	6,634	9,143	570,735

Details of the deferred taxation are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Cost of properties sold recognised as an expense		
– Over time	854,492	–
– At point of time	1,589,434	1,725,470
	2,443,926	1,725,470
Auditor's remuneration	16,261	10,131
Depreciation	397,311	345,756
Amortisation of prepaid lease payments	10,387	9,626
Amortisation of investment in a joint venture (included in share of results of joint ventures)	–	2,420
Amortisation of contract cost	94,781	–
Staff costs (included HK$477,927,000 (2018: HK$396,514,000) in cost of sales and services)		
– Directors' emoluments (note 14(a))	20,788	21,210
– Other staffs	872,819	713,603
	893,607	734,813
Share of taxation of associates (included in share of results of associates)	1,556	1,540
and after crediting:		
Rental income, net of outgoings of HK$30,758,000 (2018: HK$10,558,000)	124,573	128,445
Bank interest income	16,654	16,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the consolidated profit for the year attributable to the shareholders of the Company of HK$1,713,659,000 (2018: HK$1,566,722,000) and the number of shares calculated as follows:

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,317,488	2,267,150
Effect of dilutive potential ordinary shares – Company's share options	391	1,747
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,317,879	2,268,897

13. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2019 interim dividend of HK4.0 cents per share (2018: 2018 interim dividend of HK4.0 cents per share)	93,491	91,574
2018 final dividend of HK18.0 cents per share (2018: 2017 final dividend of HK15.0 cents per share)	412,756	337,398
	506,247	428,972

The 2019 interim dividend and 2018 final dividend was declared in form of a scrip dividend to shareholders who were given an option to elect to receive cash in lieu of all or part of their scrip dividend at a share price of HK$3.262 and HK$4.040 per share respectively. Shares are issued during the year on the shareholders' election for shares are set out in note 37. These new shares rank pari passu to the existing shares of the Company.

A final dividend for the year ended 31 March 2019 of HK18.0 cents (2018: HK18.0 cents) per share, totalling of HK$423,304,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and Chief Executive's emoluments

The emoluments paid and payable to each of the directors and chief executive of the Company for the year, disclosed pursuant to the applicable Listing Rules and Company Ordinance ("CO"), is as follows:

Name of directors	Fees	Salaries, bonuses and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019				
Executive Directors:				
David CHIU	25	2,120	12	2,157
Dennis CHIU	25	2,912	4	2,941
Craig Grenfell WILLIAMS	25	5,124	145	5,294
Cheong Thard HOONG	25	9,693	18	9,736
Independent Non-executive Directors:				
Kwok Wai CHAN	220	–	–	220
Peter Man Kong WONG (deceased on 11 March 2019)	220	–	–	220
Kwong Siu LAM	220	–	–	220
	760	19,849	179	20,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' and Chief Executive's emoluments (continued)

Name of directors	Fees HK$'000	Salaries, bonuses and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2018				
Executive Directors:				
David CHIU	25	2,268	18	2,311
Dennis CHIU	25	3,921	76	4,022
Craig Grenfell WILLIAMS	25	5,233	149	5,407
Cheong Thard HOONG	25	8,601	18	8,644
Non-executive Director:				
Denny Chi Hing CHAN (resigned on 1 January 2018)	166	–	–	166
Independent Non-executive Directors:				
Kwok Wai CHAN	220	–	–	220
Peter Man Kong WONG	220	–	–	220
Kwong Siu LAM	220	–	–	220
	926	20,023	261	21,210

Tan Sri Dato' David CHIU is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

The fee paid or payable to Executive Directors, Chief Executive, Non-executive Director and Independent Non-executive Directors shown above were mainly for their services in connection with their services as directors of the Company.

The salaries, bonuses and other benefits, retirement benefits scheme contributions, and share-based payment expenses paid or payable to Executive Directors, Chief Executive and Non-executive Director shown above were mainly for their services in connection with the management of the affairs of the Group.

Performance related incentive payment was paid/payable to Craig Grenfell WILLIAMS of HK$2,887,500 (2018: HK$2,980,000) and included in salaries and other benefits, which was determined with reference to his performances.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 March 2019 and 31 March 2018.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Certain executive and non-executive directors of the Company were granted options to subscribe for shares in the Company under the share option schemes adopted by the Company. Details of the share option schemes are disclosed in note 45.

(c) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors whose emoluments are disclosed above. The remuneration of the remaining two (2018: two) individual is as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	6,461	6,282
Retirement benefits scheme contributions	36	24
	6,497	6,306

The emolument of highest paid employees who are not a director of the Company was within the following band:

	2019 Number of employee	2018 Number of employee
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$4,000,000	1	1
	2	2

No emolument was paid to the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2017	3,001,786
Additions	9,221
Reclassify to property, plant and equipment	(198,360)
Reclassify from property, plant and equipment and prepaid lease payments	42,840
Disposals	(42,465)
Increase in fair value	277,389
Exchange alignment	139,026
At 31 March 2018	3,229,437
Additions	553,445
Acquired on acquisition of subsidiaries	1,132,950
Reclassify from completed properties for sale	16,343
Disposals	(49,120)
Increase in fair value	672,530
Exchange alignment	(129,189)
At 31 March 2019	5,426,396

	2019 HK$'000	2018 HK$'000
The carrying amounts of investment properties which are stated at fair value are on land located:		
In HK:		
Long leases	70,200	105,630
Medium-term leases	1,738,174	1,626,813
Outside HK:		
Freehold	258,234	168,079
Long leases	160,618	166,415
Medium-term leases	3,199,170	1,162,500
	5,426,396	3,229,437

During the year ended 31 March 2019, the Group transferred certain completed properties for sale to investment properties at fair value of HK$16,343,000 (2018: property, plant and equipment and prepaid lease payments to investment properties fair value of HK$42,840,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. INVESTMENT PROPERTIES (continued)

During the year ended 31 March 2018, upon the Group assuming the car park business in UK from the third party operator, the car park was reclassified from investment properties to property, plant and equipment at their fair value on the date of transfer.

The fair value of the completed investment properties in Hong Kong and outside Hong Kong at 31 March 2019, 31 March 2018 and at the date of transfer have been arrived at on the basis of a valuation carried out on those date by the following independent firm of qualified professional valuers not connected to the Group:

Location of the investment properties	Independent qualified professional valuers	Qualification
Australia	CBRE Valuations Pty Limited Colliers International (WA) Pty Ltd	Member of the Australian Property Institute
HK/PRC	Cushman & Wakefield Limited	Member of the Hong Kong Institute of Surveyors
Singapore	Savills Valuation and Professional Services (S) Pte Ltd	Member of the Singapore Institute of Surveyors and Valuers
UK	Chestertons Global Limited	Member of Royal Institution of Chartered Surveyors

In determining the fair value of the relevant properties, the Group engages independent qualified professional valuers ("Valuers") to perform the valuation. The management of the Company works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Company report the findings of the valuation to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

The valuation of the completed investment properties, which falls under level 3 of the fair value hierarchy, was arrived at by reference to market unit rates which represent market evidence of transaction prices for similar properties at similar locations or by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets. In the valuation, the market rentals of all lettable units of the properties are made reference to the rentals achieved by the Group in the lettable units as well as those of similar properties in the neighbourhood. The capitalisation rate adopted is by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted for the valuer's knowledge of factors specific to the respective properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. INVESTMENT PROPERTIES (continued)

The fair value measurement of Group's major investment properties and information about the fair value hierarchy at 31 March 2019 and 31 March 2018 are as follows:

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and market rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value of the investment properties, and vice versa.

Details of the significant unobservable input are as follows:

Class of property	Carrying amount HK$'000 2019	2018		
Income capitalisation approach			Capitalisation rates	Market rent
Office portion in HK	508,200	472,900	2% to 2.375% per annum (2018: 2.25% to 2.5% per annum)	HK$29 to HK$41.3 per square feet (2018: HK$28.5 to HK$40.4 per square feet)
Retail portion in HK	1,300,174	1,259,543	2.75% to 3.5% per annum (2018: 2.75% to 3.5% per annum)	HK$14 to HK$243.5 per square feet (2018: HK$12.5 to HK$240 per square feet)
Retail portion in the PRC	1,433,250	1,024,058	4.5% to 6.5% per annum (2018: 5% to 6.5% per annum)	Renminbi ("RMB") 37 to RMB266 per square metre (2018: RMB42 to RMB234 per square metre)
Office portion in the PRC	60,840	64,692	4.5% per annum (2018: 4.5% per annum)	RMB56 per square metre (2018: RMB54 per square metre)
Retail portion in Australia	270,049	180,808	4.5% to 12.5% per annum (2018: 4.75% to 10.0% per annum)	Australian Dollar ("A$") A$711 to A$2,200 per square metre (2018: A$674 to A$2,273 per square metre)
Direct comparison approach				Market unit rate
Car park in the PRC	86,580	73,750	N/A	RMB262,000 per car park (2018: RMB197,000 per car park)
Residential in the PRC	485,550	–	N/A	RMB14,015 per square metre
Retail portion in Singapore	148,803	153,686	N/A	Singapore Dollar ("S$") 40,031 per square metre (2018: S$40,031 per square metre)
Residential in Singapore	1,132,950	–	N/A	S$42,871 per square metre
	5,426,396	3,229,437		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Properties		Leasehold improvements, furniture, fixtures and equipment	
	Completed	Under development		Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2017	7,021,928	706,643	1,331,419	9,059,990
Additions	268,887	128,344	94,991	492,222
Transfer from investment properties	198,360	–	–	198,360
Transfer upon completion of development	601,565	(601,565)	–	–
Transfer to investment properties	(39,107)	–	–	(39,107)
Disposals	(5,413)	–	(23,130)	(28,543)
Exchange alignment	350,762	49,993	76,313	477,068
At 31 March 2018	8,396,982	283,415	1,479,593	10,159,990
Additions	95,651	1,035,512	62,971	1,194,134
Acquired on acquisition of subsidiaries	525,934	–	–	525,934
Transfer from properties under development	–	446,557	–	446,557
Disposals	–	–	(4,517)	(4,517)
Exchange alignment	(189,341)	(59,244)	(58,447)	(307,032)
At 31 March 2019	8,829,226	1,706,240	1,479,600	12,015,066
DEPRECIATION AND IMPAIRMENT				
At 1 April 2017	1,042,331	–	536,089	1,578,420
Provided for the year	202,151	–	143,605	345,756
Transfer to investment properties	(38,420)	–	–	(38,420)
Disposals	–	–	(19,371)	(19,371)
Exchange alignment	80,805	–	37,796	118,601
At 31 March 2018	1,286,867	–	698,119	1,984,986
Provided for the year	219,581	–	177,730	397,311
Disposals	–	–	(4,315)	(4,315)
Exchange alignment	(25,638)	–	(27,367)	(53,005)
At 31 March 2019	1,480,810	–	844,167	2,324,977
CARRYING VALUES				
At 31 March 2019	7,348,416	1,706,240	635,433	9,690,089
At 31 March 2018	7,110,115	283,415	781,474	8,175,004

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of hotels, other properties and car parks shown above comprise:

	2019 HK$'000	2018 HK$'000
Leasehold land and building in HK		
Long leases	290,457	300,002
Medium-term leases	2,945,046	2,989,785
Freehold land and building outside HK	3,442,917	3,001,140
Building on leasehold land outside HK		
Long leases	1,657,173	284,875
Medium-term leases	719,063	817,728
	9,054,656	7,393,530

Leasehold lands are depreciated over the terms of the lease of land. Completed buildings are depreciated on a straight-line basis over their useful lives ranging from 25 to 50 years or the remaining term of the lease of land of 25 to 65 years, whichever is the shorter. Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum. No depreciation is provided on freehold land and buildings under development.

The Group is in the process of obtaining the title of certain completed hotel properties located outside Hong Kong with carrying amount of HK$111,058,000 (2018: HK$112,791,000).

Included in leasehold improvements, furniture, fixtures and equipment is an aggregate carrying amount of HK$23,664,000 (2018: HK$18,764,000) in respect of assets held under finance leases.

17. PREPAID LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
Balance at beginning of the year	533,321	500,957
Amortisation	(10,387)	(9,626)
Transfer to investment properties	–	(3,322)
Exchange alignment	(25,698)	45,312
Balance at end of the year	497,236	533,321
The carrying value represents leasehold land outside HK:		
Long-term leases with lease period of 99 years	283,569	293,681
Medium-term leases with lease period of 35 years	213,667	239,640
	497,236	533,321
Analysed for reporting purposes as:		
Non-current asset	483,454	518,752
Current asset	13,782	14,569
	497,236	533,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. GOODWILL

Goodwill arose from the acquisition of 73.75% equity interest in certain subsidiaries, which are engaged in car park operations, in previous year.

The management determines that there is no impairment on the carrying amount of the goodwill based on the estimated cash generated from the car park operations in Australia. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-years period, and at a discount rate of 17% (2018: 17%) per annum. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeding its recoverable amount.

19. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted investments, at cost	824,459	718,076
Share of post-acquisition results, net of dividends received	237,267	225,808
	1,061,726	943,884

Particulars of principal associates, which are incorporated and operating in Hong Kong except otherwise indicated, at the end of the reporting period are as follows:

Name of associate	Class of shares held	Registered capital/ Proportion of nominal value of issued capital held by the Company indirectly 2019	2018	Principal activities
Bermuda Investments Limited	Ordinary	25%	25%	Property investment
Kanic Property Management Limited	Ordinary	50%	50%	Building management
Omicron International Limited*	Ordinary	30%	30%	Investment holding
Peacock Estates Limited	Ordinary	25%	25%	Property investment
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd+	Ordinary	25%	25%	Property development and investment

* Incorporated in the British Virgin Islands ("BVI") and operating in HK

\+ Incorporated and operating in Australia

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates

Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd ("DBC") is regarded as the material associate of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this associate is set out below and represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

The summarised financial information regarding the assets and liabilities of DBC for the year ended 31 March 2019 was as follows:

	2019 HK$'000	2018 HK$'000
Current assets	742,238	746,959
Non-current assets	2,856,811	2,350,960
Current liabilities	(121,389)	(48,829)
Non-current liabilities	(317,476)	(449,250)

	2019 HK$'000	2018 HK$'000
Revenue	–	–
Loss after tax	(4,874)	(11,006)
Total comprehensive expense for the year	(4,874)	(11,006)

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

	2019 HK$'000	2018 HK$'000
Net assets of the associate	3,160,184	2,599,840
Proportion of the Group's ownership interest in the associate	25%	25%
Carrying amount of the Group's interest in the associate	790,046	649,960

Aggregate information of associates that are not individually material:

	2019 HK$'000	2018 HK$'000
The Group's share of profit after tax	19,022	12,570
The Group's share of total comprehensive income	19,022	12,570
Aggregate carrying value of the Group's interest in these associates	271,680	293,924

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19. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

The Group has discontinued to recognise its share of losses of certain associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2019 HK$'000	2018 HK$'000
The unrecognised share of losses for the year	–	(707)
Cumulative unrecognised share of losses	(51,153)	(51,153)

20. INTERESTS IN JOINT VENTURES

(a) Joint ventures

	2019 HK$'000	2018 HK$'000
Unlisted investments, at cost	655,059	406,121
Share of post-acquisition results, net of dividends/ distributions received	6,015	4,301
Less: impairment	(5)	(5)
	661,069	410,417

Particulars of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of entity	Country of registration/ incorporation and operation	Proportion of registered capital held by the Company indirectly 2019	2018	Principal activities
Guangdong Xin Shi Dai Real Estate Limited	PRC	50%	50%	Property development
Raeon International Limited	HK	25%	25%	Real estate agency
Festival Car Park Pty Ltd	Australia	25%	25%	Car park operation
QWB Residential Precinct Holdings Pty Ltd	Australia	50%	50%	Property development and investment
BC Group Holdings Limited ("BC Group")	Cayman Islands	50.66%	–	Provision of mortgage services
Destination Gold Coast Investments Pty Ltd	Australia	25%	25%	Hotel management
Cuscaden Homes Pte Limited	Singapore	10%	–	Hotel management

Note: The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities required unanimous consent of the Group and the other joint venturers. Accordingly, these investments are accounted for as joint ventures.

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20. INTERESTS IN JOINT VENTURES (continued)

(a) Joint ventures (continued)

Summarised financial information of material joint ventures

(i) QWB Residential Precinct Holdings Pty Limited (the "QWB Residential") is regarded as a material joint venture of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this joint venture is set out below and represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

The summarised financial information regarding the assets and liabilities of QWB Residential for the year ended 31 March 2019 was as follows:

	2019 HK$'000	2018 HK$'000
Current assets	14,997	9,469
Non-current assets	426,736	415,737
Current liabilities	(12,073)	(35,856)
The above amounts of assets include the following:		
Cash and cash equivalents	14,257	8,872

	2019 HK$'000	2018 HK$'000
Revenue	–	–
Loss after tax	–	–
Total comprehensive expense for the year	–	–

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

	2019 HK$'000	2018 HK$'000
Net assets of the joint venture	429,660	389,350
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	214,830	194,675

(ii) Investment in BC Group Holdings Limited (the "BC Group") arose from a series of re-structuring exercise undertaken by the management of BC Group which resulted in the disposal of the Group's interest in certain associates in return for a 50.66% equity interest in BC Group during the year. BC Group is regarded as a material joint venture of the Group at the end of the reporting period and is accounted for using the equity method in the consolidated financial statements. The summarised financial information in respect of this joint venture is set out below and represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs, equivalent to HKFRSs.

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20. INTERESTS IN JOINT VENTURES (continued)

(a) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

(ii) (continued)

The summarised financial information regarding the assets and liabilities of BC Group for the period from 28 February 2019 (date of acquisition) to 31 March 2019 was as follows:

	2019 HK$'000
Current assets	338,519
Non-current assets	3,553,987
Current liabilities	(114,458)
Non-current liabilities	(3,731,390)
The above amounts of assets and (liabilities) include the following:	
Cash and cash equivalents	268,774
Loan receivables	3,488,280
Notes	(3,685,180)
Revenue	4,145
Expenses	(9,285)
Loss and total comprehensive expense for the period	(5,140)

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

	2019 HK$'000
Net assets of the joint venture	46,658
Proportion of the Group's ownership interest in the joint venture	50.66%
The Group's share of net assets of the joint venture	23,637
Goodwill	142,336
Carrying amount of the Group's interest in the joint venture	165,973

(iii) *Aggregate information of joint ventures that are not individually material:*

	2019 HK$'000	2018 HK$'000
The Group's share of profit after tax	–	–
The Group's share of total comprehensive income	–	–
Aggregate carrying value of the Group's interest in these joint ventures	280,266	215,742

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For the year ended 31 March 2019

20. INTERESTS IN JOINT VENTURES (continued)

(b) Joint operation

(i) During the year ended 31 March 2015, a subsidiary of the Group as developer (the "Developer") has entered into development agreement ("Agreement") with Urban Renewal Authority ("URA") in form of joint operation to engage in residential/commercial property development and sales in Hong Kong. Under the Agreement, the Developer is mainly responsible for the development of the project. Units in the development will be sold or disposed of by URA in accordance with the terms and conditions of the Agreement and sales proceeds arising therefrom will be distributed between URA and the Developer pursuant to the terms and conditions of the Agreement.

Assets with a carrying value of HK$258,667,000 (2018: HK$198,129,000) recognised in the consolidated financial statements as at 31 March 2019 in relation to the joint operation, mainly representing the property development costs and upfront payment to URA, and included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.

(ii) During the year ended 31 March 2012, the Group entered into an agreement with a related company to jointly develop certain portion of the Group's freehold land with fair value, as agreed between the parties, of Malaysian Ringgit ("MYR") 65,000,000 (equivalent to HK$124,800,000). The related company is responsible for the provision of technical, commercial and financial management of the development on the land and marketing the properties on completion of their development and bears all the related cost and expenses of the development. The development activities and the sales of the completed properties are directed by the related company's board of directors, of which the Group and the related company have equal number of representatives throughout the joint operation period. The Group and the related company will share the profit or loss (representing revenue from sale less the fair value of the land, development costs and marketing expenses of the completed properties) from the development on a 50:50 basis.

Assets with a carrying amount of MYR8,800,000, equivalent to HK$16,965,000 (2018: MYR8,800,000, equivalent to HK$17,864,000) are recognised in the consolidated financial statements as at 31 March 2019 in relation to the joint operations, representing the cost of the freehold land and included in properties for development under current assets. Income and expenses of the joint operation for the year are insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

21. INVESTMENT SECURITIES

	2019 HK$'000	2018 HK$'000
(i) Available-for-sale investments		
Unlisted:		
Equity securities, at cost	–	12,876
Club membership, at cost	–	688
Debt securities, at fair value	–	146,423
	–	159,987
(ii) Financial assets at FVTPL		
(a) Investments held for trading		
Listed equity securities	79,874	62,218
Listed debt securities	–	2,625,529
Unlisted debt securities	–	42,880
Investment funds	–	588,929
	79,874	3,319,556
(b) Financial assets designated at FVTPL		
Structured deposits	–	40,500
(c) Equity securities at FVTPL		
Unlisted equity securities	14,483	–
(d) Debt instruments at FVTPL		
Listed debt securities	2,076,376	–
Unlisted debt securities	409,959	–
	2,486,335	–
(e) Investment funds (Note)	774,618	–
(iii) Equity instruments at FVTOCI		
Unlisted equity securities	2,133	–
Equity securities listed overseas	1,065,011	–
	1,067,144	–
Total	4,422,454	3,520,043

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For the year ended 31 March 2019

21. INVESTMENT SECURITIES (continued)

	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Non-current assets	1,081,626	13,564
Current assets	3,340,828	3,506,479
	4,422,454	3,520,043

Note: Investment funds represent pool investments, comprising equity and debts securities in various markets.

22. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	253,497	92,316
Less: Amount due within one year and classified under current assets	(20,244)	(11,827)
Amount due after one year	233,253	80,489

Loan receivables mainly represent mortgage loans with carrying amount of HK$253,497,000 (2018: HK$82,292,000) and secured by the properties of the borrowers.

Included in loan receivables is an amount of HK$170,829,000 (2018: HK$20,531,000) which bear interest ranging at prime rate minus 1.5% for first two years and prime rate plus 0.5% for the remaining period; an amount of HK$46,750,000 (2018: HK$59,617,000) are interest-free for the first 3 years and bear interest at prime rate per annum and are repayable by instalment thereafter; an amount of HK$26,368,000 which bear interest ranging from prime rate to prime rate plus 2% for whole loan period and the remaining balance of HK$9,550,000 (2018: HK$12,168,000) are unsecured, interest-free and repayable on demand.

In determining the recoverability of loan receivables, the Group considers any change in the credit quality of the borrowers, the value of the underlying properties under mortgage, historical settlements of loan interests and other forward-looking information. Details of impairment assessment are set out in note 47.

23. PLEDGED DEPOSITS, RESTRICTED BANK DEPOSITS, DEPOSIT IN A FINANCIAL INSTITUTION, BANK BALANCES AND CASH

Pledged deposits included in non-current assets carry interest at rates ranging from 0.00% to 3.19% (2018: 0.00% to 3.21%) per annum. These deposits are pledged to secure bank loans repayable after one year.

The pledged deposits shown under current assets carry interest at market rates ranging from 0.00% to 3.27% (2018: 0.00% to 3.25%) per annum. These deposits, with maturity dates ranging from 1 to 6 months, are pledged to secure bank borrowings repayable within one year.

Restricted bank deposits, carry interest at market rates ranging from 0.35% to 1.55% (2018: 0.35% to 1.05%), represent custody deposits paid in banks in relation to certain banking facility arrangements of the Group and deposits can be solely applied for settlement of development cost of designated property projects.

Deposit in a financial institution carries interest at a rate of 0.00% to 0.55% (2018: 0.00% to 0.50%) per annum.

Bank deposits with maturity of less than three months and bank balances carry interest at market rates ranging from 0.00% to 2.50% (2018: 0.00% to 2.40%) per annum.

24. PROPERTIES FOR SALE

Included in properties for sale are properties with carrying value of HK$10,735,435,000 (2018: HK$9,795,742,000) which are not expected to be realised within the next twelve months.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade debtors, net of allowance for credit loss	138,809	123,034
Advance to contractors	685	11,310
Utility and other deposits	78,852	25,888
Prepayment and other receivables	194,807	204,722
Other tax recoverable	34,693	56,892
Deposit and stamp duty paid for the acquisition of property	20,000	100,828
	467,846	522,674

The following is an aged analysis of trade debtors, net of allowance for credit losses, based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition date:

	2019 HK$'000	2018 HK$'000
0–60 days	112,476	94,203
61–90 days	6,857	6,745
Over 90 days	19,476	22,086
	138,809	123,034

Trade debtors aged over 60 days are past due but are not impaired.

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25. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Trade debtors mainly represent receivables from renting of properties, use of hotel facilities and sales of properties. Rentals are payable on presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$24,487,000 which are past due at the reporting date. Out of the past due balances, HK$18,344,000 has been past due 90 days or more and is not considered as in default as the default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 47.

As at 31 March 2018, in determining the recoverability of trade debtors, the Group considers the subsequent settlement and any change in the credit quality of the debtors from the date credit was initially granted up to the end of each reporting period. There is no concentration of credit risk due to the large and unrelated customer base. The management believes that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

Ageing of trade debtors which are past due but not impaired

	2018 HK$'000
1–30 days	6,745
Over 30 days	22,086
	28,831

Allowance for doubtful debts on the trade debtors and the movements during the year are as follows:

	2018 HK$'000
Balance at beginning of the year	10,688
Impairment losses recognised	11,387
Balance at end of the year	22,075

26. CUSTOMERS' DEPOSITS UNDER ESCROW

The amount represents the portion of the sales proceeds that have been settled by the buyers of properties and are being held in the escrow accounts. During the construction period, the amount is earmarked for payment of certain properties under development and repayment of relevant bank loans. The fund are remitted to the Group upon the issuance of the relevant certificates by the relevant government authorities.

27. CONTRACT ASSETS

Contract assets represent the unbilled amount resulting from sale of properties recognised over time.

The contract assets relate to the Group's right to consideration for work performance and not billed because the right is conditional on the Group's future performance. The contract assets are transferred to trade debtors when the right becomes unconditional.

Certain of the Group's sales contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits of certain percentage of total contract sum as part of its credit risk management policies.

28. CONTRACT COSTS

Contract costs capitalised as at 31 March 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of selling and marketing expenses in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK$94,781,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Derivatives that are designated as hedging instruments carried at fair value:				
Cash flow hedges – Cross currency swap contracts (Note)	4,366	–	–	(22,170)
Held for trading derivatives that are not designated in hedge accounting relationships:				
Call/put options in unlisted equity securities and foreign currencies	–	468	–	–
Forward foreign exchange contracts	–	50	–	–
Cross currency swap contracts	99	–	–	(11,604)
Assets (liabilities) from profit guarantee arrangement	2,547	–	–	(5,876)
	7,012	518	–	(39,650)
Analysed for reporting purpose as:				
Current	4,646	518	–	(2,211)
Non-current	2,366	–	–	(37,439)
	7,012	518	–	(39,650)

Note: Cross currency swap contracts

These cross currency swap contracts were designated as hedging instruments against the variability of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

30. CREDITORS AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Trade creditors		
– Construction cost and retention payable	939,681	883,501
– Others	122,873	100,306
	1,062,554	983,807
Construction cost and retention payable for capital assets	36,038	69,453
Rental deposits and rental receipts in advance	73,728	85,104
Other payable and accrued charges	359,258	587,115
	1,531,578	1,725,479

The following is an aged analysis of the trade creditors, based on the invoice date:

	2019 HK$'000	2018 HK$'000
0–60 days	1,005,701	894,855
61–90 days	13,502	16,541
Over 90 days	43,351	72,411
	1,062,554	983,807

31. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000 (note)
Sales of properties	974,166	1,520,096

Note: The amount in this column is after the adjustment from the application of HKFRS 15. An amount of HK$1,204,973,000 was recognised as revenue for the year ended 31 March 2019.

The Group receives an amount ranging from 5% to 20% of the contract value as deposits from customers when they sign the sale and purchase agreement. The amount is expected to be settled within the Group's normal operating cycle and is classified as current based on the Group's earliest obligation to transfer the properties to customers.

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32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Amounts payable under finance leases:				
Within one year	7,763	6,582	6,697	5,629
In more than one year but not more than five years	13,610	12,431	12,476	11,518
	21,373	19,013	19,173	17,147
Less: Future finance charges	(2,200)	(1,866)	–	–
Present value of lease obligations	19,173	17,147	19,173	17,147
Less: Amount due within one year shown under current liabilities			(6,697)	(5,629)
Amount due after one year			12,476	11,518

It is the Group's policy to lease certain of its motor vehicles and equipment under finance leases. The average lease terms range from 1 to 5 years. The average borrowing rates for the year is 6.71% (2018: 6.69%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate, at the end of the reporting period approximates to their carrying amount.

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33. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans	17,034,260	11,788,642
Other loans	835,824	182,756
Less: front-end fee	(31,541)	(23,976)
	17,838,543	11,947,422
Analysed for reporting purpose as:		
Secured	15,050,084	10,531,398
Unsecured	2,820,000	1,440,000
	17,870,084	11,971,398
Current liabilities	4,235,896	5,285,719
Non-current liabilities	13,602,647	6,661,703
	17,838,543	11,947,422
The borrowings repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
On demand or within one year	3,199,157	4,103,156
More than one year, but not exceeding two years	4,222,741	1,845,979
More than two years, but not exceeding five years	10,180,824	5,365,854
More than five years	267,362	656,409
	17,870,084	11,971,398

The carrying amounts of the borrowings include an amount of HK$1,044,413,000 (2018: HK$1,193,830,000) which is not repayable within one year based on scheduled repayment dates has, however, been shown under current liabilities as the counterparties have discretionary rights to demand immediate repayment.

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For the year ended 31 March 2019

33. BANK AND OTHER BORROWINGS (continued)

Currencies	Interest rates	2019 HK$'000	2018 HK$'000
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 0.75% to 2.1% (2018: HIBOR plus 1.00% to 3.00%)	8,920,580	6,623,210
RMB	100% of 5 years or above People's Bank of China Prescribed Interest Rate ("PBOC PIR") (2018: 100% of 1 year PBOC PIR to 130% of 1 to 3 years PBOC PIR)	564,560	701,713
S$	Singapore Swap Offered Rate ("S$ SOR") plus 0.68% to 1.1% (2018: S$ SOR plus 1.10% to 1.20%)	4,152,572	2,234,410
MYR	Malaysia Base Lending Rates ("Malaysia BLR") minus 1.50% to plus 1.50% (2018: Malaysia BLR minus 1.50% to plus 1.50%)	94,788	244,415
A$	Australia Bank Bill Swap Reference Rate ("Australia BBSW") plus 1.40% to 1.55% (2018: Australia BBSW plus 1.40% to 2.50%)	3,155,739	1,368,193
GBP	London Interbank Offered Rate ("LIBOR") plus 2.00% to 2.75% (2018: LIBOR plus 2.00% to 2.80%)	888,033	799,457
EURO ("EUR")	Czech Republic Lombard Rate (Czech Republic LR) plus 1.95% to 3.1%	93,812	–
		17,870,084	11,971,398

34. AMOUNTS DUE TO SHAREHOLDERS OF NON-WHOLLY OWNED SUBSIDIARIES

The amounts due to shareholders of non-wholly owned subsidiaries under current liabilities are unsecured, interest-free and either repayable on demand or without fixed terms of repayment.

The amount due to a shareholder of a non-wholly owned subsidiary under non-current liabilities represents amount due to a shareholder for financing the property development project in Singapore. The loan is unsecured, interest-free and due to a shareholder of FEC Skyline Pte. Ltd. ("FEC Skyline"), a 70% subsidiary of the Company. In accordance with the contractual terms of the shareholders' agreements, the amount is repayable only when FEC Skyline has available cash, which represent cash proceeds receive from the business after payment of operating expenses as provided in the annual budget including but not limited to bank loans and/or other financial institutions which are due for repayment together with the accrued interest. The expected repayment date of the amount due to a shareholder of a non-wholly owned subsidiary is on August 2020 and the difference between the principal amount of the advance and its fair value at initial recognition amounting to HK$19,681,000 has been included in the non-controlling interest as deemed capital contribution arising from interest-free loan advanced by a non-controlling shareholder during the year ended 31 March 2017.

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35. NOTES AND BONDS

	2023 Notes HK$'000	2021 Notes HK$'000	2018 Bonds HK$'000	Total HK$'000
At 1 April 2017	–	2,310,890	819,652	3,130,542
Issue of new notes	1,168,313	–	–	1,168,313
Less: transaction costs directly attributable to issue	(11,930)	–	–	(11,930)
Interest charged during the year	21,210	91,586	54,236	167,032
Interest paid during the year	–	(81,848)	(52,783)	(134,631)
Interest payable due within 12 months and included in other payable	(20,381)	(5,865)	–	(26,246)
Exchange adjustments	6,125	20,858	86,890	113,873
At 31 March 2018	1,163,337	2,335,621	907,995	4,406,953
Redemption upon maturity	–	–	(907,995)	(907,995)
Interest charged during the year	54,783	92,235	–	147,018
Interest paid during the year	(11,496)	(76,849)	–	(88,345)
Interest payable due within 12 months and included in other payable	(41,107)	(11,502)	–	(52,609)
Exchange adjustments	1,489	2,988	–	4,477
At 31 March 2019	1,167,006	2,342,493	–	3,509,499

2023 Notes

On 6 November 2017, the Company issued notes with aggregate principal amount of US$150,000,000 with maturity date on 13 May 2023 (the "2023 Notes") to independent third party. The 2023 Notes bear interest at 4.5% per annum payable semi-annually. As at 31 March 2019, the aggregate principal amount of the 2023 Notes outstanding was US$150,000,000 (equivalent to HK$1,176,000,000) (2018: US$150,000,000 (equivalent to HK$1,174,500,000)).

2021 Notes

On 8 September 2016, the Company issued notes with aggregate principal amount of US$300,000,000 with maturity date on 8 September 2021 (the "2021 Notes") to independent third party. The 2021 Notes bear interest at 3.75% per annum payable semi-annually. As at 31 March 2019, the aggregate principal amount of the 2021 Notes outstanding was US$300,000,000 (equivalent to HK$2,352,000,000) (2018: US$300,000,000 (equivalent to HK$2,349,000,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

35. NOTES AND BONDS (continued)

2018 Bonds

On 3 April 2013, Dorsett issued bonds with aggregate principal amount of RMB850,000,000 (equivalent to HK$1,062,500,000) at the issue price of 100% of the principal amount with maturity date on 3 April 2018 (the "2018 Bonds") to independent third parties. The 2018 Bonds bear interest at 6.17% per annum payable semi-annually. Dorsett partially repurchased a principal amount of RMB39,660,000 (equivalent to HK$49,972,000). In addition, the Company, through its subsidiary, purchased 2018 Bonds with the principal amount of RMB83,030,000 (equivalent to HK$101,712,000). As at 31 March 2018, the outstanding principal amount of 2018 Bonds was RMB727,310,000 (equivalent to HK$909,138,000). The 2018 Bonds were fully redempted upon maturity.

The principal terms of 2023 Notes, 2021 Notes and 2018 Bonds:

a) Other than during the closed period and subject to the terms of the paying agency agreement in respect of the 2023 Notes, 2021 Notes and 2018 Bonds, the bonds are transferable without restrictions.

b) Unless previously redeemed or purchased and cancelled, the Company and Dorsett will redeem each 2023 Notes, 2021 Notes and 2018 Bonds at 100% at its principal amount together with unpaid accrued interest on the maturity date.

c) At any time the Company and Dorsett may, having given not less than 15 nor more than 30 days' notice to the noteholders or 30 nor more than 60 days' notice to the bondholders in accordance with the terms and conditions of the 2023 Notes, 2021 Notes and 2018 Bonds (which notice shall be irrevocable) redeem all, and not some only, of the 2023 Notes, 2021 Notes and 2018 Bonds at their principal amount together with interest accrued to the date fixed for redemption on the redemption date as a result of any change in, or amendment to, the applicable tax laws or regulations of the Cayman Islands or Hong Kong.

d) When a change of control occurs with respect to the Company and Dorsett, the noteholder of 2023 Notes, 2021 Notes and bondholder of 2018 Bonds will have the right at such holder's option, to require the Company and Dorsett to redeem all or some only of that 2023 Notes and 2021 Notes at 100% and 2018 Bonds at 101% of their principal amount together with interest accrued to the date fixed for redemption.

e) The 2023 Notes, 2021 Notes and 2018 Bonds will constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the 2023 Notes, 2021 Notes and 2018 Bonds) unsecured obligations of the Company and Dorsett and shall at all times rank pari passu and without any preference or priority among themselves.

Details of the issue of the 2023 Notes, 2021 Notes and 2018 Bonds were disclosed in Company's circular dated 7 November 2017, 25 August 2016 and Dorsett's circular dated 25 March 2013, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

36. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised by the Group, and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of assets HK$'000	Fair value adjustments on business combination HK$'000	Tax losses HK$'000	Others HK$'000 (note)	Total HK$'000
At 1 April 2017	86,290	147,656	60,726	35,506	(64,659)	97,963	363,482
Charge (credit) to profit or loss	2,885	9,415	–	(1,245)	(5,134)	125,120	131,041
Charge to assets revaluation reserve	–	–	9,000	–	–	–	9,000
Exchange alignment	(597)	19,259	6,724	–	–	5,867	31,253
At 31 March 2018	88,578	176,330	76,450	34,261	(69,793)	228,950	534,776
Adjustments (note 2)	–	–	–	–	–	16,026	16,026
At 1 April 2018 (restated)	88,578	176,330	76,450	34,261	(69,793)	244,976	550,802
(Credit) charge to profit or loss	(2,411)	147,369	–	(4,950)	236	72,509	212,753
Acquisition of subsidiaries (note 38(a))	–	–	–	15,921	–	–	15,921
Exchange alignment	83	(17,246)	(6,002)	(319)	1,536	(11,940)	(33,888)
At 31 March 2019	86,250	306,453	70,448	44,913	(68,021)	305,545	745,588

Note: Others represent the temporary difference arising from the deduction of the interest expenses and development expenditure of overseas subsidiaries at the development stage.

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	(49,640)	(48,410)
Deferred tax liabilities	795,228	583,186
	745,588	534,776

The Group recognises deferred tax in respect of the change in fair value of the investment properties located in the PRC and Australia, as these properties are held under a business model whose objective is to consume substantially all the economic benefits embodied in these investment properties over the time, i.e. through usage of such properties for rental purpose. No deferred tax is recognised in respect to the changes in fair value of the investment properties located in Hong Kong and Singapore, as those properties are presumed to be recovered entirely through sales.

At 31 March 2019, the Group has unused tax losses of HK$1,447,678,000 (2018: HK$1,384,764,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK$292,873,000 (2018: HK$391,825,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,154,805,000 (2018: HK$992,939,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

36. DEFERRED TAXATION (continued)

At 31 March 2019, the Group has deductible temporary difference in relation to accelerated depreciation of property, plant and equipment amounted to HK$395,769,000 (2018: HK$356,441,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for on the temporary differences attributable to profits of the subsidiaries of the PRC and Australia of HK$3,875,961,000 (2018: HK$3,830,419,000) generated after 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

37. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value HK$'000
Authorised	4,000,000,000	400,000
Issued and fully paid:		
At 1 April 2017	2,238,370,717	223,837
Issue of shares in lieu of cash dividends (i)	51,965,423	5,197
Issue upon exercise of share options at HK$2.55 per share	11,450,000	1,145
At 31 March 2018	2,301,786,140	230,179
Share repurchase	(13,619,000)	(1,362)
Issue of shares in lieu of cash dividends (ii)	62,023,162	6,202
Issue upon exercise of share options at HK$2.55 per share	1,500,000	150
At 31 March 2019	2,351,690,302	235,169

(i) On 8 February 2018 and 9 October 2017, the Company issued and allotted 11,961,510 and 40,003,913 new fully paid shares of HK$0.10 each at HK$4.718 and HK$4.010 respectively to the shareholders who elected to receive shares in the Company in lieu of cash for the 2018 interim dividend and 2017 final dividend pursuant to the scrip dividend scheme announced by the Company on 27 November 2017 and 13 June 2017 respectively. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) On 14 February 2019 and 11 October 2018, the Company issued and allotted 16,412,149 and 45,611,013 new fully paid shares of HK$0.10 each at HK$3.262 and HK$4.040 respectively to the shareholders who elected to receive shares in the Company in lieu of cash for the 2019 interim dividend and 2018 final dividend pursuant to the scrip dividend scheme announced by the Company on 28 December 2018 and 3 September 2018 respectively. These new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

37. SHARE CAPITAL (continued)

(iii) During the year ended 31 March 2019, the Company, through its subsidiary, repurchased certain of its own shares as follows:

Month of repurchase	No. of ordinary share purchased	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$'000
May 2018	5,000,000	4.38	4.67	21,800
August 2018	3,700,000	4.00	4.40	15,540
September 2018	2,150,000	3.78	4.18	8,084
January 2019	2,769,000	3.26	3.50	9,138

The shares were cancelled during the year and accordingly the issued share capital and the share premium was reduced by the nominal value of these shares and the premium paid on repurchase respectively.

All the shares issued during the two years ended 31 March 2019 rank pari passu in all respects with the existing shares in the Company.

During the year, except the amount disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

38. ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) Acquisition of business

On 30 April 2018, the Group acquired the entire share capital of TWC, a company incorporated in United States of America. The principal activity of TWC is hospitality and gaming business. The acquisition was accounted for using the purchase method.

	Carrying amount in the acquiree's financial records HK$'000	Fair value adjustment HK$'000	Fair value of net assets HK$'000
Net assets acquired:			
Property, plant and equipment	445,986	79,948	525,934
Debtors, deposits and prepayments	64,486	–	64,486
Bank balances and cash	55,339	–	55,339
Creditors and accruals	(38,733)	–	(38,733)
Bank borrowings	(153,825)	–	(153,825)
Deferred tax liabilities	(3,278)	(12,643)	(15,921)
	369,975	67,305	437,280
Bargain purchase gain			(108,000)
Consideration satisfied by cash			329,280
Net cash outflow arising on acquisition:			
Cash consideration			329,280
Cost incurred in connection with the acquisition			3,386
Bank balances and cash acquired			(55,339)
			277,327

The bargain purchase gain represents the excess of the acquirer's interest in the net fair value of assets over the purchase consideration attributable to the sale by the exiting shareholders of the acquiree for realisation of their investment due to the anticipation of the change in the gaming regulatory and operating environment in Czech Republic.

Had the acquisition been completed on 1 April 2018, the directors of the Company would not have expected a material impact to the Group's revenue and profit for the year as the revenue and losses contributed by TWC from 1 April up to 30 April 2018 (date of acquisition) was insignificant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

38. ACQUISITION/DISPOSAL OF SUBSIDIARIES (continued)

(b) Acquisition of assets

In July 2018, the Group acquired the entire share capital of Highest Reach Investments Limited, which indirectly owned a property known as 21 Anderson Royal Oak Residence, located at 21 Anderson Road in Singapore. The assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 *Business Combinations* and therefore, the acquisition was accounted for as assets acquisition.

The asset acquired and liabilities assumed in the transaction are as follows:

	HK$'000
Investment properties	1,132,950
Debtors, deposits and prepayments	419
Bank balance and cash	42,650
Creditors and accruals	(4,405)
Bank borrowings	(595,471)
Net assets of the subsidiaries acquired	576,143
Total consideration satisfied by:	
Cash consideration paid	576,143
Net cash outflow arising on acquisition:	
Cash consideration paid	576,143
Bank balances and cash acquired	(42,650)
	533,493

(c) Disposal of a subsidiary

In May 2017, the Group disposed of the entire equity interests in Double Advance Group Limited, which was classified as assets and liabilities held for disposal at 31 March 2017, and assigned the shareholder's loan made to that subsidiary. The net assets disposed of in the transaction were amounted to HK$107,091,000 for cash consideration received of HK$407,614,000. Net cash inflow arising on disposal was amounted to HK$400,605,000.

39. MAJOR NON-CASH TRANSACTIONS

The Company issued shares in lieu of cash dividend payable to the Company's shareholders totalling HK$237,815,000 (2018: HK$216,834,000).

The Group entered into finance lease arrangements for acquisition of asset with a total capital value at the inception of the leases of HK$2,200,000 (2018: HK$9,934,000).

As mentioned in note 20(a)(ii), BC Group was set up as a holding company and is integral to the whole restructuring scheme involving certain associates of the Group. As part of the scheme, the Group's interests in certain associates were disposed to BC Group for a consideration of A$8,900,000 resulting in a gain on disposal of associates of HK$51,677,000 being recognised in the profit or loss during the year. On the same day, the call options (as amended) held by the Group in the associates were exercised, entitling the Group to subscribe for shares in BC Group for an amount equivalent to the market value of the call options held by the Group in the associates. In addition, the Group recognised a fair value gain on the call options of HK$123,847,000 in the profit or loss with the corresponding amount debited as deemed cost of the Group's interest in BC Group. Upon completion of the restructuring, the Group holds 50.66% equity interest in BC Group and the investment is classified as interests in joint ventures by the Group based on the decision making arrangement of the shareholders' deed where decision on operating and financial policies or activities of BC Group and its subsidiaries requires unanimous consent of the Group and other shareholders. BC Group and its subsidiaries are principally involved in the provision of mortgage services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

40. CHARGE ON ASSETS

Bank and other borrowings of HK$15,050,084,000 (2018: HK$10,531,398,000) and obligations under finance leases of HK$19,173,000 (2018: HK$17,147,000) outstanding at the end of the reporting period are secured by a fixed charge over the following assets of the Group and together with a floating charge over other assets of the property owners and benefits accrued to those properties:

	2019 HK$'000	2018 HK$'000
Investment properties	2,416,776	2,058,974
Property, plant and equipment	5,612,513	6,429,653
Prepaid lease payments	497,236	533,321
Properties for sale	11,774,893	6,985,792
Bank deposits	35,940	22,023
Investment securities	1,073,723	432,340
	21,411,081	16,462,103

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

41. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition, development and refurbishment of hotel properties	877,949	1,596,141
Commitment to provide credit facility to a joint venture	65,000	–
Others	28,273	30,714
	971,222	1,626,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

At the end of the reporting period, investment properties and properties for sale with carrying amount of HK$4,293,446,000 (2018: HK$3,187,707,000) and HK$19,994,000 (2018: HK$20,222,000) respectively were let out under operating leases. Gross rental income earned during the year is HK$155,331,000 (2018: HK$139,003,000) of which HK$138,765,000 (2018: HK$138,948,000) was derived from letting of investment properties.

At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due:

	2019 HK$'000	2018 HK$'000
Within one year	118,639	101,837
In the second to fifth year inclusive	200,400	239,427
More than five years	83,839	108,488
	402,878	449,752

Leases are negotiated and rentals are fixed for terms ranging from one to twenty years (2018: one to twenty years).

The Group as lessee:

Minimum lease payments paid under operating leases during the year.

	2019 HK$'000	2018 HK$'000
Premises	413,817	366,768
Equipment	584	2
	414,401	366,770

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

	2019 HK$'000	2018 HK$'000
Within one year	100,550	80,568
In the second to fifth year inclusive	255,380	192,444
More than five years	56,292	27,453
	412,222	300,465

Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2019 HK$'000	2018 HK$'000
Provision of building management service by associates	2,342	2,771
Provision of consultancy service to joint ventures	2,307	–
Provision of underwriting service to joint ventures	35,736	–

Details of the balances with associates, joint ventures, shareholders of non-wholly owned subsidiaries, an investee company and related companies as at the end of the reporting period are set out in the consolidated statement of financial position and the relevant notes.

The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

(b) The Group has entered into three hotel management services contracts for the provision of hotel management services to certain companies in Malaysia which are controlled by a director of the Company. During the year ended 31 March 2019, hotel management services income of HK$1,914,000 (2018: HK$1,794,000) was received under these contracts.

(c) Remunerations paid and payable to the members of key management, who are the directors and the five highest paid individuals, during the year are disclosed in note 14.

44. AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts due from/to associates, joint ventures, an investee company and related companies are set out in the consolidated statement of financial position. The amounts are unsecured, interest-free and either repayable on demand or without fixed terms of repayment. The related companies are companies controlled by certain executive directors or their close family members who have significant influence over the Group through their direct and indirect equity interest in the Company.

In respect of the amounts classified under non-current assets, the Group does not expect repayment within the next twelve months from the end of the reporting period.

In respect to the amounts classified under non-current liabilities, the Group is not required to settle the balance within twelve months from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

45. SHARE OPTION SCHEMES

On 31 August 2012, the Company adopted a new share option scheme and the old share option scheme of the Company adopted on 28 August 2002 was expired on 28 August 2012 (collectively referred to as the "FECIL Share Option Schemes"). The FECIL Share Option Schemes were approved by the Company for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the FECIL Share Option Schemes, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the FECIL Share Option Schemes is not permitted to exceed 10% of the shares of the Company then in issue; and the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK$1 by the grantee. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options were granted by the Company on 25 August 2006, 8 May 2009 and 27 March 2013, at an initial exercise price at HK$3.290, HK$1.500 and HK$2.550 per share respectively to directors and employees of the Company and its subsidiaries.

At 31 March 2019, the number of options which remained outstanding under the FECIL Share Option Schemes was nil (2018: 1,500,000) which, if exercise in full, would represents none (2018: 0.07%) of the enlarged capital of the Company.

Details of options granted are as follows:

Options granted on 27 March 2013

Tranche 1	27.3.2013 to 28.2.2014	2.3.2014 to 28.2.2020	2.550
Tranche 2	27.3.2013 to 28.2.2015	2.3.2015 to 28.2.2020	2.550
Tranche 3	27.3.2013 to 29.2.2016	2.3.2016 to 28.2.2020	2.550
Tranche 4	27.3.2013 to 28.2.2017	2.3.2017 to 28.2.2020	2.550

The movements in the options granted to employees in aggregate during the two years ended 31 March 2018 and 31 March 2019 are as follows:

Option type	Date of grant	At 1.4.2017	Exercised during the year	At 31.3.2018	Exercised during the year	At 31.3.2019
Tranche 1	27.3.2013	925,000	(700,000)	225,000	(225,000)	–
Tranche 2	27.3.2013	2,500,000	(2,200,000)	300,000	(300,000)	–
Tranche 3	27.3.2013	3,125,000	(2,750,000)	375,000	(375,000)	–
Tranche 4	27.3.2013	6,400,000	(5,800,000)	600,000	(600,000)	–
		12,950,000	(11,450,000)	1,500,000	(1,500,000)	–
Weighted average exercisable price		2.550	2.550	2.550	2.550	–
Number of options exercisable at the end of the year		12,950,000		1,500,000		–

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For the year ended 31 March 2019

45. SHARE OPTION SCHEMES (continued)

Total consideration received by the Group for exercising the options granted amount to approximately HK$3,826,000 (2018: HK$29,198,000).

The weighted average closing price of the Company's share immediately before the date(s) on which the options were exercised is HK$4.00 (2018: HK$3.96).

The fair value of the options under FECIL Share Option Schemes at the date of grant determined using the Binomial model.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

46. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

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

The Group makes defined contributions to the Employees Provident Fund for qualifying employees in Malaysia under which the Group is required to make fixed contributions under the defined contribution plans to separate entities. The Group has no legal or constructive obligations of further contributions to make up any deficiencies of fund assets to cover all employees benefits relating to their services to the Group.

The Group makes defined contribution to the Singapore Central Provident Fund which the Group is required to make a certain percentage of the salaries of the employees in Singapore, whereby the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefits plan.

The Group makes contribution to independent superannuation master funds for employees in Australia, based on a certain percentage of the employee's salaries and wages. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contribution.

The Group operates defined contribution schemes in respect of its employees in the United Kingdom. Contribution are made based on a certain percentage of salaries of the employees in the United Kingdom to the defined contribution scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension costs of the defined contribution schemes represent the contributions accrued to the scheme in respect of the accounting period.

Total retirement benefits expenses charged to profit or loss amounted to HK$52,892,000 in the current year (2018: HK$46,875,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Available-for-sale investments	–	159,987
Financial assets at FVTPL	3,355,310	3,360,056
Equity instruments at FVTOCI	1,067,144	–
Financial assets at amortised cost	3,823,541	–
Loans and receivables (including cash and cash equivalents)	–	5,772,749
Derivative financial instruments	7,012	518
	8,253,007	9,293,310
Financial liabilities		
Derivative financial instruments	–	39,650
Amortised cost	23,146,380	18,032,832
	23,146,380	18,072,482

b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and price risk), credit risk and impairment assessment, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. In addition, the Group is also exposed to interest rate risks in relation to investments in its debt securities which are measured at FVTPL.

Interest rate sensitivity analysis

The sensitivity analysis considers only borrowings which have significant impact on the consolidated financial statements. The analysis is prepared assuming that the borrowings outstanding at the end of the reporting periods were outstanding for the whole year. 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of next reporting period.

If interest rates had been increased/decreased by 50 basis points (2018: 50 basis points) and all other variables were held constant, the Group's profit after tax would have decreased/increased by HK$42,716,000 (2018: HK$21,629,000) and the interest capitalised would have increased/decreased by HK$36,255,000 (2018: HK$33,167,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

Certain group entities have transactions denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages the foreign currency risk by entering into forward foreign exchange contracts and cross-currency swap contracts to mitigate the impact of fluctuating foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary items, at the end of the reporting period are as follows:

	2019 HK$'000	2018 HK$'000
Assets		
A$	14,309	244,109
Japanese Yen ("JPY")	5,123	5,123
RMB	946	1,006
US$	752	7,661
EUR	81,871	105,643
S$	104,654	53,907
GBP	159,822	211,546

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly on currencies other than US$ for the individual group entity in Hong Kong since HK$ are pegged to US$ under the Linked Exchange Rate System and the management does not expect any significant exposure in relation to the exchange rate fluctuation between HK$ and US$. The following table details the Group's sensitivity to a 10% (2018: 10%) weakening in the HK$ against the relevant foreign currencies other than US$, while all other variables are held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end if HK$ weakens 10% against the relevant foreign currency. For a 10% strengthens in HK$ against the relevant foreign currencies, these would be an equal and opposite impact on profit.

	Increase in profit after tax	
	2019 HK$'000	2018 HK$'000
A$	1,002	17,088
JPY	428	428
RMB	71	75
US$	63	640
EUR	6,836	8,821
S$	8,686	4,474
GBP	12,786	16,924

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

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Price risk

The Group is exposed to equity price risk and market price risk arising from financial assets at FVTPL and equity instruments at FVTOCI.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debt price risk at the end of the reporting period.

If the price of the respective equity and debt securities have been 5% (2018: 5%) higher/lower:

- profit after tax would have increased/decreased by HK$139,480,000 (2018: HK$140,282,000) as a result of the changes in fair value of financial assets at FVTPL.

- investment revaluation reserve would have increased/decreased by HK$53,355,000 (2018: HK$7,999,000) as a result of the changes in fair value of equity instrument at FVTOCI (2018: available-for-sale investments).

Credit risk and impairment assessment

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to discharge their obligations in relation to each class of recognised financial asset are the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group also invests in debt securities which expose the Group to credit risk. The Investment Committee regularly reviews the portfolio of debt securities and assesses the credit quality of the issuers. In the regard, the directors of the Company consider that the credit risk relating to debt securities held for trading is not significant.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers, except for amounts due from an investee company, associates and joint ventures and loan receivables, which in aggregate, constitute over 8% (2018: 4%) of the total financial assets. The Group actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on the outstanding balances.

Trade debtors and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has policies in place to ensure the sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances based on past due status. Contract assets are assessed on an individual basis for impairment purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan receivables/amounts due from related parties/bank balances and deposits

The credit risk of loan receivables and amounts due from related parties is managed through an internal process. The Group actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition. The directors of the Company consider that the probability of default is minimal after assessing the counter-parties financial background and underlying assets held by the related parties.

The credit risks on pledged deposits, restricted bank deposits, deposit in a financial institution, and bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost					
Trade debtors	25	N/A	(Note 1)	Lifetime ECL (not credit impaired)	144,572
			Loss	Credit-impaired	24,353
Loan receivables	22	N/A	Low risk (Note 2)	12-month ECL	253,497
Amounts due from related parties	44	N/A	Low risk (Note 2)	12-month ECL	390,580
Pledged deposits/restricted bank deposits	23	above A (Note 3)	N/A	12-month ECL	211,665
Bank balances/deposit in a financial institutions	23	above A (Note 3)	N/A	12-month ECL	2,472,165
Other receivables	25	N/A	Low risk (Note 2)	12-month ECL	160,160
Contract assets	27	N/A	(Note 1)	Lifetime ECL (not credit impaired)	215,565
Customers' deposits under escrow	26	N/A	Low risk (Note 2)	12-month ECL	196,665

Notes:

1. Trade debtors and contract assets

   For trade debtors and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired and contract assets, the Group determines the expected credit losses on these debtors by using a provision matrix, grouped by debtors' aging. Contract assets are assessed individually for impairment.

   As part of the Group's credit risk management, the Group applies debtors' aging for its customers. The exposure to credit risk for debtors which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit impaired).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

1. Trade debtors and contract assets (continued)

   During the year ended 31 March 2019, the Group provided HK$5,763,000 impairment allowance for trade debtors, based on the provision matrix. Impairment allowance of HK$2,278,000 were made on credit impaired debtors.

   Contract assets are the unbilled amount resulting from sales of properties when revenue exceeds the amount billed to the buyers. The directors of the Company consider the exposure of credit risk of contract assets is low after taking into account the value of the underlying properties, historical settlement of the counterparties and other forward-looking information. The fair value for the underlying properties is higher than the outstanding amount of the contract assets at the end of the reporting period. The loss given default of the contract assets is considered as insignificant to the Group, and no allowance of credit loss is provided for the contract assets.

2. Loan receivables/amounts due from related parties/customers' deposits under escrow/other receivables

   For the purposes of internal credit risk management, the Group uses internal credit rating to assess whether credit risk has increased significantly since initial recognition.

   Loan receivables are secured by property interests. The directors of the Company consider the exposure to credit risk of these loan receivables is low after taking into account the value of the collateral, historical settlements of loan interests and other forward-looking information. The fair value of the collateral is higher than the outstanding amount of these receivables at the end of the reporting period. The loss given default and 12-month ECL of these loan receivables is considered as insignificant to the Group, and no allowance of credit loss is provided for these loan receivables.

   For amounts due from related parties, the directors of the Company consider the exposure to credit risk of these amounts is low after taking into consideration of the fair values of the underlying assets held by the related parties, the outlook of their future operations and the expected operating cash flows of the related parties.

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2. Loan receivables/amounts due from related parties/customers' deposits under escrow/other receivables (continued)

   Customers' deposits under escrow represents the portion of the sale proceeds being held in the escrow accounts. The funds are remitted to the Group upon the issuance of the relevant certificates by the relevant government authorities. The directors consider the exposure of credit risk is low.

   For other receivables, the directors of the Company consider the exposure of credit risk, historical settlement and other forward-looking information. The rate of default of 12-month ECL of the other receivables range from 2% to 3% and allowance of credit loss of HK$4,237,000 was recognised during the year.

3. For pledged deposits, restricted bank deposits, bank balances and deposit in a financial institutions, the ECL is assessed by reference to probability of default and loss credit rating grade published by international credit agencies.

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Group, to ensure that it maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and external borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within one year HK$'000	Over due one to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2019							
Creditors	N/A	1,315,449	-	-	-	1,315,449	1,315,449
Other liabilities	N/A	-	8,095	4,176	22,955	35,226	35,226
Amount due to a related company	N/A	623	-	-	-	623	623
Amounts due to associates	N/A	28,057	-	-	-	28,057	28,057
Amounts due to shareholders of non-wholly owned subsidiaries	N/A	7,786	392,024	-	-	399,810	399,810
Bank and other borrowings	2.88	4,647,753	8,480,343	5,775,210	173,825	19,077,131	17,838,543
Obligations under finance leases	2.70	7,527	13,847	-	-	21,374	19,173
Notes and bonds	4.00	1,079,523	2,584,945	1,235,154	-	4,899,622	3,509,499
		7,086,718	11,479,254	7,014,540	196,780	25,777,292	23,146,380

	Weighted average interest rate %	On demand or within one year HK$'000	Over due one to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2018							
Creditors	N/A	1,351,313	-	-	-	1,351,313	1,351,313
Amount due to a related company	N/A	19,095	-	-	-	19,095	19,095
Amounts due to associates	N/A	27,149	-	-	-	27,149	27,149
Amounts due to joint ventures	N/A	3,177	-	-	-	3,177	3,177
Amounts due to shareholders of non-wholly owned subsidiaries	N/A	8,232	269,491	-	-	277,723	277,723
Bank and other borrowings	2.88	5,545,694	5,294,029	1,596,404	151,585	12,587,712	11,947,422
Obligations under finance leases	2.70	6,582	12,431	-	-	19,013	17,147
Notes and bonds	4.45	1,050,548	281,882	2,493,561	1,180,726	5,006,717	4,406,953
		8,011,790	5,857,833	4,089,965	1,332,311	19,291,899	18,049,979

47. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank and other borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2019 and 31 March 2018, the aggregate undiscounted principal amounts of these bank and other borrowings amounted to HK$1,813,162,000 and HK$2,529,554,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such term loans are expected to be repaid in accordance with the loan repayment schedules which are repayable by yearly instalment up to September 2023 (2018: September 2023). On this basis, the interest and principal cash flows for the variable interest rate instruments would be as follows:

	On demand or within one year HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total undiscounted cashflow HK$'000	Carrying amount HK$'000
At 31 March 2019						
Variable interest rate instruments	**3,625,105**	**9,032,433**	**6,232,078**	**287,824**	**19,177,440**	**17,838,543**
At 31 March 2018						
Variable interest rate instruments	4,222,325	5,651,879	2,394,188	270,210	12,538,602	11,947,422

The cash flows presented above for variable interest rate financial liabilities is subject to change if changes in interest rates differ from those at the end of the reporting period adopted in the above calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

The fair values of the Group's financial assets and financial liabilities excluding certain financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Certain financial instruments of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
		31.3.2019 HK$'000	31.3.2018 HK$'000		
1a)	Listed equity securities classified as financial assets at FVTPL	79,874	62,218	Level 1	Quoted bid prices in an active market
1b)	Listed equity securities classified as equity instrument at FVTOCI	1,065,011	–	Level 1	Quoted bid prices in an active market
1c)	Unlisted equity securities classified as financial assets at FVTPL (2018: available-for-sale investments)	14,483	12,876	Level 2	Discounted cash flows Future cash flows are estimated based on weighted average cost of capital, growth rate of the investee companies and earnings
1d)	Unlisted equity securities classified as equity instruments at FVTOCI	2,133	–	Level 3	Discounted cash flows Future cash flows are estimated based on weighted average cost of capital, growth rate of the investee companies and earnings
2a)	Listed debt securities classified as financial assets at FVTPL	2,076,376	2,625,529	Level 1	Quoted bid prices in an active market
2b)	Unlisted debt securities classified as financial assets at FVTPL	50,581	42,880	Level 2	Discounted cash flows Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at 31.3.2019 HK$'000	Fair value as at 31.3.2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs
2c) Unlisted debt securities classified as financial assets at FVTPL (2018: debt securities classified as available-for-sale investments)	359,378	146,423	Level 3	Discounted cash flow Future cash flows are estimated based on applying the interest yield curves of different types of mortgage loans as the key parameter
3) Investment funds classified as financial assets at FVTPL	774,618	588,929	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets (mainly listed securities) of the funds
4) Structured deposits classified as financial assets at FVTPL	–	40,500	Level 3	Discounted cash flows Future cash flows are estimated based on applying the expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks
5) Call/put options in unlisted equity securities and foreign currencies classified as derivative financial instruments	–	Assets – 468	Level 2	Discounted cash flows Future cash flows are estimated based on applying the expected yields of foreign currency and equity security by banks and a discount rate that reflects the credit risk of the banks
6) Forward foreign exchange contracts classified as derivative financial instruments	–	Asset – 50	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Financial assets (liabilities) included in the consolidated statement of financial position	Fair value as at 31.3.2019 HK$'000	Fair value as at 31.3.2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs
7) Cross currency swap contracts classified as derivative financial instruments designated as hedging instruments	Assets – 4,366	Liabilities – (22,170)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward exchange and interest rates, discounted at a rate that reflects the credit risk of various counterparties
8) Cross currency swap contracts classified as derivative financial instruments	Assets – 99	Liabilities – (11,604)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contracted forward exchange and interest rates, discounted at a rate that reflects the credit risk of various counterparties
9) Assets/(Liabilities) arising from profit guarantee arrangement	Assets – 2,547	Liabilities – (5,876)	Level 3	Income approach Discounting future debt free cash flows available for distribution to the owners to their present worth at market-derived rates of return appropriate for the risks and hazards of investing in similar business.

There were no transfers between Levels 1, 2 and 3 during the years ended 31 March 2019 and 31 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

47. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Structured deposits HK$'000	(Assets)/ liabilities arising from profit guarantee arrangement HK$'000	Unlisted debt securities classified as available-for-sales HK$'000	Unlisted equity securities HK$'000	Unlisted debt securities classified as financial assets as FVTPL HK$'000
As 1 April 2017	33,900	–	–	–	–
Addition	6,600	20,000	146,423	–	–
Fair value movement	–	(14,124)	–	–	–
As 1 April 2018	40,500	5,876	146,423	–	–
Effect of HKFRS 9 – reclassification	–	–	(146,423)	–	146,423
Redemption	166,205	–	–	2,133	212,955
Disposal	(207,936)	–	–	–	–
Fair value movement	1,231	(8,423)	–	–	–
As 31 March 2019	–	(2,547)	–	2,133	359,378

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data under discounted cash flow in respect of structured deposits classified as financial assets at fair value through profit or loss and equity securities at fair value through other comprehensive income, as the management considers that the exposure is insignificant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings HK$'000 (Note 33)	Notes and bonds HK$'000 (Note 35)	Dividend payable HK$'000	Amounts due to related companies HK$'000 (Note 44)	Amount due to associates HK$'000 (Note 44)	Amount due to a joint venture HK$'000 (Note 44)	Amounts due to shareholders of non-wholly owned subsidiaries HK$'000 (Note 34)	Obligations under finance leases HK$'000 (Note 32)	Other liabilities HK$'000	Total HK$'000
At 1 April 2017	10,131,685	3,130,542	–	16,815	7,186	–	273,647	11,369	–	13,571,244
Financing cash flows	1,113,881	998,722	(212,109)	2,280	19,963	3,177	3,477	(4,156)	–	1,925,235
Non-cash changes	–	–	(216,863)	–	–	–	–	9,934	–	(206,929)
Finance costs	344,679	154,954	–	–	–	–	–	–	–	499,633
Dividends recognised as distribution	–	–	428,972	–	–	–	–	–	–	428,972
Foreign exchange translation	357,177	122,735	–	–	–	–	599	–	–	480,511
At 31 March 2018	11,947,422	4,406,953	–	19,095	27,149	3,177	277,723	17,147	–	16,698,666
Financing cash flows	4,901,689	(1,048,949)	(268,432)	(17,691)	2,509	(3,177)	122,087	(5,972)	33,109	3,715,173
Acquisition of a subsidiary	749,296	–	–	–	–	–	–	–	–	749,296
Non-cash changes	–	–	(237,815)	–	–	–	–	2,200	–	(235,615)
Finance costs	580,729	147,018	–	–	–	–	–	–	–	727,747
Dividends recognised as distribution	–	–	506,247	–	–	–	–	–	–	506,247
Foreign exchange translation	(340,593)	4,477	–	(781)	(1,601)	–	–	5,798	2,117	(330,583)
At 31 March 2019	17,838,543	3,509,499	–	623	28,057	–	399,810	19,173	35,226	21,830,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current Asset		
Interests in subsidiaries	9,670,548	9,718,921
Current Asset		
Bank balances, deposits and cash	15,229	9,160
	15,229	9,160
Current Liabilities		
Creditors and accrued charges	32,135	32,091
Bank borrowings	–	124,000
	32,135	156,091
Net Current Liabilities	(16,906)	(146,931)
Total Assets Less Current Liabilities	9,653,642	9,571,990
Capital and Reserves		
Share capital	235,169	230,179
Share premium	4,479,650	4,297,682
Reserves	670,536	687,040
	5,385,355	5,214,901
Non-current Liabilities		
Loan from a subsidiary	702,000	812,500
Amount due to a subsidiary	56,535	45,378
Notes and bonds	3,509,499	3,498,958
Deferred tax liabilities	253	253
	4,268,287	4,357,089
	9,653,642	9,571,990

* The director of the Company considered that the application of the new and amendments to HKFRSs in the current year has no material impact on the Company's result and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The movement of equity is as follows:

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	223,837	4,033,779	28,458	25,454	628,830	3,333	4,943,691
Profit and other comprehensive income for the year	–	–	–	–	–	454,150	454,150
Dividends	–	–	–	–	–	(428,972)	(428,972)
Share issued in lieu of cash dividend	5,197	211,637	–	–	–	–	216,834
Shares issued upon exercise of share options	1,145	52,266	–	(24,213)	–	–	29,198
At 31 March 2018	230,179	4,297,682	28,458	1,241	628,830	28,511	5,214,901
Profit and other comprehensive income for the year	–	–	–	–	–	490,984	490,984
Dividends	–	–	–	–	–	(506,247)	(506,247)
Repurchase of ordinary shares	(1,362)	(54,562)	1,362	–	–	(1,362)	(55,924)
Share issued in lieu of cash dividend	6,202	231,613	–	–	–	–	237,815
Shares issued upon exercise of share options	150	4,917	–	(1,241)	–	–	3,826
At 31 March 2019	235,169	4,479,650	29,820	–	628,830	11,886	5,385,355

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at the end of the year are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2019	2018	Principal activities
Direct subsidiaries					
Ample Bonus Limited	BVI/HK	101 shares of US$1	100	100	Investment holding
Pacific Growing Limited	HK	1 share of HK$1	100	100	Investment holding
Queens Wharf Holdings Limited	BVI/HK	1 share of US$	100	100	Investment holding
The Fifth Apartments Pty Ltd	Australia	1 share of A$1	100	100	Property development
Indirect subsidiaries					
124 York Street Pty Ltd	Australia	10,000 shares of A$121.78	77.75	77.75	Car park operation
13 Roper Street Pty Ltd	Australia	10,000 shares of A$121.78	77.75	77.75	Car park operation
13 Roper Street Trust	Australia	N/A	77.75	77.75	Car park operation
19 Bank Street Pty Ltd	Australia	10,000 shares of A$121.78	77.75	77.75	Car park operation
21st Century Resorts a.s.	Czech Republic	23,533 shares of CZK1,000	100	-	Investment holding and property owner
19 Bank Street Trust	Australia	N/A	77.75	77.75	Car park operation

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50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2019	2018	
344 Queen Car Park Pty Ltd	Australia	10,000 shares of A$121.78	77.75	77.75	Car park operation
344 Queen Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
94 York Street Trust	Australia	N/A	77.75	77.75	Car park operation
All Greatness Limited	BVI/HK	1 share of US$1	100	100	Property development
Amphion Investment Limited	HK	2 shares of HK$1	100	100	Investment holding
Anderson International Properties Pte Ltd	Singapore	1,000 shares of S$1	100	–	Property investment
Anderson Raffles Limited	Mauritius	5,000,000 shares of US$1	100	–	Investment holding
Angel Meadows (FEC) Limited	UK	100 shares of £1	100	100	Property development
Annick Investment Limited	HK	2 shares of HK$1	100	100	Property investment
Apex Path Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Apexwill Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Arvel Company Limited	HK	10,000 shares of HK$1	100	100	Property investment
Asian Harvest Investments Limited	BVI/HK	1 share of US$1	100	100	Treasury management
Australian Property Management Pty Ltd	Australia	1 share of A$1	77.75	77.75	Car park operation
Ballarat Central Car Park Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Car park operation
Black Capital Finance Services Pty Ltd	Australia	125,000 shares of A$1	60	–	Loan financing
Boundary Farm Car Park Ltd	BVI	2 shares of US$1	88.85	–	Car park operation
Bournemouth Estates Limited	HK	2 shares of HK$10	100	100	Property development
Bravo Trade Holdings Limited	BVI/HK	1 share of US$1	100	100	Property development
Bryce International Limited	BVI	100 shares of US$1	100	100	Investment holding
Care Park (Albert Street) Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Car park operation
Care Park Finance Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Car park operation
Care Park Holdings Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Investment holding
Care Park Properties Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Investment holding
Care Park Group Pty Ltd	Australia	1,000 shares of A$121.78	77.75	77.75	Car park operation
Carterking Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Cathay Motion Picture Studios Limited	HK	30,000 shares of HK$100	100	100	Property investment
Charter Joy Limited	HK	2 shares of HK$1	100	100	Hotel operation
Charter National International Limited	HK	2 shares of HK$1	100	100	Property development
Cheong Sing Property Development Limited	HK	500 shares of HK$100	100	100	Property development
Ching Chu (Shanghai) Real Estate Development Company Limited (i)	PRC	Registered and paid up capital of US$8,800,000	100	100	Hotel management
Chun Wah Holdings Limited	HK	200 shares of HK$1	100	100	Property development
City Sight Limited	HK	1 share of HK$1	100	100	Loan financing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2019	2018	Principal activities
Complete Delight Limited	BVI/HK	1 share of US$1	100	100	Hotel operation
Cosmopolitan Hotel Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Crouch End (FEC) Limited	UK	1 share of £1	100	–	Property development
Dorsett Bukit Bintang Sdn. Bhd.	Malaysia	2 shares of MYR1	100	100	Property development
Dorsett Hospitality International Limited	Cayman Islands	2,100,626,650 shares of HK$0.1	100	100	Investment holding
Dorsett Hospitality International (M) Sdn Bhd	Malaysia	2 shares of MYR2	100	100	Investment holding
Dorsett Hospitality International (Singapore) Pte. Limited	Singapore	1 share of S$1	100	100	Hotel management and consultancy service
Dorsett Hospitality International Services Limited	HK	2 shares of HK$1	100	100	Hotel management
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of MYR1	100	100	Hotel operation
Drakar Limited	Isle of Man/ UK	1 share of £1	100	100	Property development
Dunjoy Limited	HK	2 shares of HK$1	100	100	Investment holding
E-Cash Ventures Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Esmart Management Limited	HK	2 shares of HK$1	100	100	Hotel management
Everkent Development Limited	HK	2 shares of HK$1	100	100	Hotel operation
Expert Vision Trading Limited	BVI	1 share of US$1	100	100	Investment holding
Far East Consortium (Australia) Pty Ltd.	Australia	2 shares of A$1	100	100	Property development
Far East Consortium (B.V.I.) Limited	BVI/HK	50,000 shares of US$1	100	100	Investment holding
Far East Consortium (Netherlands Antilles) N.V.	The Netherlands	99,000 shares of US$1	100	100	Investment holding
Far East Consortium China Investments Limited	HK	6,000 shares of HK$100	100	100	Investment holding
Far East Consortium Holdings (Australia) Pty Limited	Australia	12 shares of A$1 235 redeemable preference shares of A$42.55	100	100	Investment holding
Far East Consortium Limited	HK	830,650,000 shares of HK$1	100	100	Investment holding and property investment
Far East Consortium Properties Pty Limited	Australia	12 shares of A$1 225 redeemable preference shares of A$44.44	100	100	Investment holding and property investment
Far East Consortium Real Estate Agency Limited	HK	1 share of HK$1	100	100	Sales agency service
Far East Real Estate and Agency (H.K.) Limited	HK	60,000 shares of HK$100	100	100	Investment holding and loan financing
Far East Rockman Hotels (Australia) Pty Limited	Australia	12 shares of A$1 375 redeemable preference shares of A$10,000	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2019	2018	Principal activities
FEC Care Park Holdings (Australia) Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FEC Care Park Holdings Pte Ltd	Singapore	1 share of S$1	100	100	Investment holding
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	2 shares of MYR1	100	100	Investment holding
FEC Development Management Limited	UK	1 share of £1	100	100	Property development
FEC Financing Solutions Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FEC Holdings Pte. Ltd.	Singapore	1,000,000 shares of S$1	100	100	Investment holding
FEC Hotel Investments Pte. Ltd.	Singapore	2 shares of S$1	100	100	Investment holding and property development
FEC Overseas (Singapore) Pte Ltd	Singapore	1 share of S$1	100	100	Investment holding
FEC Skyline Pte. Ltd.	Singapore	4,000,000 shares of S$1	70	70	Property development
FEC Skypark Pte. Ltd.	Singapore	3,000,000 shares of S$1	80	–	Property development
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	120,000 shares of DFL1	100	100	Investment holding
FEC Suites Pte. Ltd.	Singapore	1,000,000 share of S$1	100	100	Property development
FEC QWB Integrated Resort Holdings Limited	BVI/HK	1 share of US$1	100	100	Investment holding
FECFW 1 Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
FECFW 2 Pty Ltd	Australia	1 share of A$1	100	100	Investment holding
Ficon Roper Street Trust	Australia	N/A	77.75	77.75	Car park operation
Fortune Plus (M) Sdn. Bhd.	Malaysia	935,000 shares of MYR1	100	100	Property investment
Garden Resort Development Limited	HK	100 shares of HK$1	100	100	Property development
Gold Prime Group Limited	BVI	1 share of US$1	100	100	Investment holding
Grand Expert Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Highest Reach Investments Limited	BVI	494,808 shares of US$1	100	–	Investment holding
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK$1	100	100	Loan financing
Jarton Limited	HK	1 share of HK$1	100	100	Property development
Kuala Lumpur Land Holdings Limited	Jersey/HK	100 shares of £1	100	100	Investment holding
Launceston York Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
Madison Lighters and Watches Company Limited	HK	4 shares of HK$1	100	100	Investment holding
Mass Perfect Limited	HK	1 share of HK$1	100	100	Investment holding
May21 Pty Ltd.	Australia	1 share of A$1	100	100	Property development
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 MYR1	100	100	Hotel operation
Midtown at Upper West Side Pty Ltd	Australia	2 shares of A$1	100	100	Investment holding
N.T. Horizon Realty (Jordan) Limited	HK	2 shares of HK$100	100	100	Property investment
New Time Plaza Development Limited	HK	1,000 shares of HK$1	100	100	Investment holding
New Union Investments (China) Limited	HK	300 shares of HK$1	100	100	Investment holding
Novel Orient Investments Limited	HK	1 share of HK$1	100	100	Hotel operation
Panley Limited	HK	1 share of HK$1	100	100	Hotel operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2019	2018	Principal activities
Peacock Management Services Limited	HK	2 shares of HK$1	100	100	Administration services
Polyland Development Limited	HK	2 shares of HK$1	100	100	Property development
Quadrant Plaza Pty Ltd	Australia	N/A	77.75	77.75	Car park operation
Quadrant Plaza Unit Trust	Australia	N/A	77.75	77.75	Car park operation
Queens Wharf Holdings Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Raffles Legend Properties Pte Ltd	Singapore	1 share of S$1	100	–	Property investment
Regency Hotels Proprietary Limited	Australia	100 shares of A$1	100	100	Investment holding
Richfull International Investment Limited	HK	1 share of HK$1	100	100	Bar operation
Roper Debt Pty Ltd	Australia	N/A	77.75	77.75	Car park operation
Roper Street Car Park Pty Ltd	Australia	N/A	77.75	77.75	Car park operation
Roper Street Car Park Unit Trust	Australia	N/A	77.75	77.75	Car park operation
Ruby Way Limited	HK	2 shares of HK$1	100	100	Hotel operation
SC98A s.r.o.	Czech Republic	1 share of CZK100,000	100	-	Investment holding
Scarborough Development Limited	HK	2 shares of HK$1	100	100	Property investment
Shanghai Chingchu Property Development Company Limited (ii)	PRC	Registered and paid up capital of US$35,000,000	98.2	98.2	Property development and investment
Shepparton Car Park Pty Ltd	Australia	10,050 shares of A$0.17093	77.75	77.75	Car park operation
Shepparton Car Park Trust	Australia	N/A	77.75	77.75	Car park operation
Singford Holdings Limited	BVI/HK	1 share of US$1	100	100	Treasury management
Spencer Green Pty Ltd	Australia	1 share of A$1	100	100	Property development
Star Bridge Development Limited	HK	2 shares of HK$1	100	100	Investment holding
Subang Jaya Hotel Development Sdn Bhd	Malaysia	245,000,000 shares of MYR1	100	100	Hotel operation
Success Range Sdn. Bhd.	Malaysia	250,000 shares of MYR1	100	100	Hotel operation
Target Term Sdn. Bhd.	Malaysia	2 shares of MYR1	100	100	Car park operation
Tantix Limited	HK	1 share of HK$1	100	100	Property development
Teampearl Company Limited	HK	5,001 A shares of HK$1 4,999 B shares of HK$1	100	100	Property investment
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK$1	100	100	Hotel operation
Tracia Limited	Isle of Man/ UK	1 share of £1	100	100	Investment holding
Trans World Corporation	Czech Republic	22,968 shares of CZK1	100	–	Gaming and hotel operation
Trans World Hotels & Entertainment a.s.	Czech Republic	400 shares of CZK75,000 and 100 shares of CZK700,000	100	-	Gaming and hotel owner and operator
Trans World Hotels Austria GmbH	Austria	1 share of EUR40,000	100	-	Hotel owner and operator
Trans World Hotels Germany GmbH	Germany	1 share of EUR20,000	100	-	Hotels owner and operator
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of MYR1	100	100	Hotel operation
Victoria Land Pty Limited	Australia	12 share of A$1	100	100	Management services
Well Distinct Limited	BVI/HK	1 share of US$1	100	100	Investment holding
Zhongshan Developments Limited	BVI/HK	1 share of US$1	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered and paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2019	2018	
武漢港澳中心物業管理有限公司(iii)	PRC	Registered and paid up capital of RMB500,000	100	100	Property management
武漢遠東帝豪酒店管理有限公司(i)	PRC	Registered and paid up capital US$29,800,000	100	100	Hotel operation
遠東帝豪酒店管理(成都)有限公司(i)	PRC	Registered and paid up capital US$38,000,000	100	100	Property development
上海帝盛酒店有限公司(iii)	PRC	Registered and paid up capital RMB500,000	100	100	Hotel operation

(i) Foreign investment enterprise registered in the PRC.
(ii) Sino-foreign equity joint venture registered in the PRC.
(iii) Domestic wholly owned enterprise registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for the 2018 Bonds issued by Dorsett on 3 April 2013 and fully redeemed in the current year, none of the other subsidiaries had issued any debt securities at the end of the year.

ISSUER

FEC Finance Limited
16/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

GUARANTOR

Far East Consortium International Limited
16/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

ARRANGERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
UK

Credit Suisse (Hong Kong) Limited
Level 88,
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
UK

Credit Suisse (Hong Kong) Limited
Level 88,
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

AMTD Global Markets Limited
23/F-25/F
Nexxus Building,
41 Connaught Road
Central
Hong Kong

BNP Paribas
63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square,
8 Connaught Place
Central,
Hong Kong

DBS Bank Ltd.
10/F, The Center
99 Queen's Road Central
Hong Kong

Deutsche Bank AG, Singapore Branch
One Raffles Quay #17-00
South Tower
Singapore 048583

Guotai Junan Securities (Hong Kong) Limited
27/F Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Haitong International Securities Company Limited
22nd Floor,
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-05 OCBC Centre East
Singapore 049514

Mizuho Securities Asia Limited
14-15/F., K11 Atelier
18 Salisbury Road
Tsim Sha Tsui, Kowloon
Hong Kong

The Bank of East Asia, Limited
10/F, 10 Des Voeux Road Central
Central
Hong Kong

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

ISSUING AND PAYING AGENT, TRANSFER AGENT, REGISTRAR AND CMU LODGING AND PAYING AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Level 35, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to English and Hong Kong law

Reed Smith Richards Butler
17th Floor, One Island East, Taikoo Place,
18 Westlands Road, Quarry Bay
Hong Kong

To the Guarantor as to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

To the Dealers and the Trustee as to English law

Linklaters
11th Floor
Alexandra House
Chater Road, Central
Hong Kong

To the Dealers as to PRC law

Commerce & Finance Law Offices
6F NCI Tower
A12 Jianguomenwai
Avenue Beijing A100022
People's Republic of China

APPENDIX 2

PRICING SUPPLEMENT DATED 13 JULY 2021

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This Pricing Supplement, together with the Offering Circular (as defined below), includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pricing Supplement dated 13 July 2021

FEC Finance Limited
Issue of U.S.$150,000,000 5.10 per cent. Notes due 2024 (to be consolidated and form a single series with the U.S.$235,000,000 5.10 per cent. Notes due 2024 issued on 21 January 2021 (the "Existing Notes"))
Guaranteed by Far East Consortium International Limited
under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 16 October 2020 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. This Pricing Supplement, together with the information set out in the Schedule to this Pricing Supplement, supplements the Offering Circular and supersedes the information in the Offering Circular to the extent inconsistent with the information included therein.

1	(i)	Issuer:	FEC Finance Limited (Legal Entity Identifier code: 549300TTP03NH9IE6530).
2	(ii)	Guarantor	Far East Consortium International Limited
3	(i)	Series Number:	7
	(ii)	Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	2 The Notes shall be consolidated and form a single series with the Existing Notes on the Issue Date
4	Specified Currency or Currencies:		United States dollar ("**U.S.$**")
5	Aggregate Nominal Amount:		
	(i)	Series:	U.S.$385,000,000
	(ii)	Tranche:	U.S.$150,000,000
6	(i)	Issue Price:	101.996 per cent., of the Aggregate Nominal Amount
	(ii)	Net proceeds:	Approximately U.S.$152,138,970
7	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
8	(i)	Issue Date:	21 July 2021
	(ii)	Interest Commencement Date:	Issue Date
9	Maturity Date:		21 January 2024
10	Interest Basis:		5.10 per cent. Fixed Rate (further particulars specified below)

11	Redemption/Payment Basis:	Redemption at par
12	Change of Interest or Redemption/Payment Basis:	Not Applicable
13	Put/Call Options:	Not Applicable
14	(i) Status of the Notes:	Senior
	(ii) Date of Board Resolutions approving the issuance of the Notes:	15 October 2020
15	Listing:	Hong Kong (listing of the Notes is expected to be effective on or about 22 July 2021)
16	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions:	Applicable
	(i) Rate of Interest:	5.10 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	21 January and 21 July in each year, commencing on 21 January 2022 up to and including the Maturity Date
	(iii) Fixed Coupon Amount:	U.S.$25.50 per Calculation Amount
	(iv) Broken Amount:	Not Applicable
	(v) Day Count Fraction (Condition 5(j)):	30E/360
	(vi) Determination Date(s) (Condition 5(j)):	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
18	Floating Rate Provisions:	Not Applicable
19	Zero Coupon Note Provisions:	Not Applicable
20	Dual Currency Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21	Call Option:	Not Applicable
22	Put Option:	Not Applicable
23	Final Redemption Amount of each Note:	U.S.$1,000 per Calculation Amount
24	Early Redemption Amount:	
	(i) Early Redemption Amount(s) of each Note payable on redemption for	U.S.$1,000 per Calculation Amount

		taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	Registered Notes: Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Global Certificate
26	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	Not Applicable
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28	Details relating to Instalment Notes: amount of each Instalment, date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late repayment	Not Applicable
29	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
30	Consolidation provisions:	Not Applicable
31	Other terms or special conditions:	Not Applicable

DISTRIBUTION

32	(i)	If syndicated, names of Managers:	Credit Suisse (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited UBS AG Hong Kong Branch Barclays Bank PLC DBS Bank Ltd. Oversea-Chinese Banking Corporation Limited

	(ii) Stabilisation Manager(s) (if any):	Each of the Managers
33	If non-syndicated, name of Dealer:	Not Applicable
34	U.S. selling restrictions:	Reg. S Category 1; TEFRA not applicable
35	Prohibition of Sales to EEA and UK Retail Investors	Not Applicable
36	Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

37	ISIN Code:	XS2287420744
38	Common Code:	228742074
39	CMU Instrument Number:	Not Applicable
40	The Legal Entity Identifier of FEC Finance Limited	549300TTP03NH9IE6530
41	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	Not Applicable
42	Delivery:	Delivery against payment
43	Additional Paying Agent(s) (if any):	Not Applicable
44	Registrar (if other than The Hongkong and Shanghai Banking Corporation Limited):	Not Applicable

GENERAL

45	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	Not Applicable
46	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Hong Kong
47	In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London:	Not Applicable

48	Alternative use of proceeds:	Refinancing, business development and general corporate purposes for the Group
49	PB Rebate	Applicable

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required for issue and listing on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme of FEC Finance Limited.

Stabilisation

In connection with this issue, each of the Managers (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited time. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

Material Adverse Change Statement

Save as disclosed in the Offering Circular and this Pricing Supplement (including the Schedule thereto), there has been no adverse change in the financial condition, prospects, results of operations, business, management or properties of the Issuer, the Guarantor or of the Group since 31 March 2021 which is material and adverse in the context of the issue and offering of the Notes.

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Guarantor:

By: Cheong Thard HOONG
Duly authorised

Signed on behalf of the Issuer:

By:
Duly authorised

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Guarantor:

By:

Duly authorised

Signed on behalf of the Issuer:

By: Cheong Thard HOONG

Duly authorised

SCHEDULE

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule.

(i) The following row under the section headed "*DEFINITIONS AND GLOSSARY AND TECHNICAL TERMS*" appearing on page vii of the Offering Circular shall be deleted in its entirety and replaced with Annex A.

"BC Group	BC Group Holdings Limited, a company incorporated in the Cayman Islands and which is the holding company of BC Securities following the reorganisation referred to the announcement of the Guarantor dated 21 February 2019."

(ii) The section headed "*Description of the Group – Recent Developments*" appearing on pages 97 to 99 of the Offering Circular shall be deleted in its entirety and replaced with Annex B.

(iii) The paragraphs starting with "*If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable"*" till the end of the sub-section "*European Economic Area and United Kingdom*" under the section headed "*Subscription and Sale*" appearing on page 155 of the Offering Circular shall be deemed to be replaced with Annex C.

(iv) Annex D shall be deemed to be inserted in the sub-section "*UK*" under the section headed "*Subscription and Sale*" appearing on page 156 of the Offering Circular.

ANNEX A

BC Group	BC Investment Group Holdings Limited (formerly known as BC Group Holdings Limited), a company incorporated in the Cayman Islands and which is the holding company of BC Securities following the reorganisation referred to the announcement of the Guarantor dated 21 February 2019.

ANNEX B

The Offering Circular should be read and construed in conjunction with the following "Description of the Group – Recent Developments" which shall be deemed to modify or supersede the contents of the Offering Circular to the extent that a statement contained in the following section is inconsistent with any such contents in the Offering Circular. Prospective investors should consider carefully all of the information in the Offering Circular, including but not limited to the sections headed "Risk Factors" and "Description of the Group – Key Credit Strengths", "Description of the Group – Strategy" and "Description of the Group – Business", in light of the updates as disclosed in the following section.

Recent Developments

FY2021 Annual Results

On 25 June 2021, the Guarantor published the Announcement of Results for the Financial Year ended 31 March 2021 on the Hong Kong Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0625/2021062500013.pdf) (the "**FY2021 Results Announcement**"), which includes its consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of profit or loss and other comprehensive income as at and for the year ended 31 March 2021 ("**FY2021**") and the notes thereto as set out on pages 6 to 19 of the FY2021 Results Announcement (the "**FY2021 Financial Statements**").

The Offering Circular should be read and construed in conjunction with the FY2021 Financial Statements, which shall be deemed to be incorporated in, and to form part of, the Offering Circular and which shall be deemed to modify or supersede the contents of the Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

The FY2021 Financial Statements were reviewed by the Audit Committee and were audited by Deloitte Touche Tohmatsu, Certified Public Accountants in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Business update

The Group's FY2021 performance continued to be dominated by the impact of the COVID-19 outbreak on the global economy. New waves of the COVID-19 outbreaks across the world have continued to impact the global economy and significantly disrupted the hospitality industry.

The Group continues to manage its business for a prolonged period of disruption caused by COVID-19. The Group will continue to look for opportunities to replenish its land bank, especially in Hong Kong, the United Kingdom and Australia. On the hotel front, new hotels will come online over the next few years but focus remains on controlling costs and expenses, and also potentially, certain disposals of mature assets.

COVID-19 and Hong Kong social unrest

The Group's performance for FY2020 and FY2021 was affected by the social unrest in Hong Kong in 2019, the global outbreak of COVID-19 and resultant uncertainty in the global economy. To varying degrees, all of the Group's businesses have been affected. For FY2021, the Group recorded revenue of approximately HK$5.9 billion, a decrease of 20.2 per cent. as compared to HK$7.5 billion for FY2020. Revenue generated in FY2021 by property development, the Group's core business, dropped by 12.6 per cent. due to less development completions compared to FY2020. The Group's hotel, car park and gaming businesses have suffered from poor market sentiment, severe lockdowns and a drastic drop of business travellers and leisure travellers. As a consequence, the Group's revenue generated from property investment, hotel operations and management, car park operations and facilities management, gaming operations, securities and financial product investments and provision of mortgage services segments fell by 34.3 per cent. year-on-year. *For more information, see the risk factor "Outbreaks of highly contagious diseases, natural disasters or severe weather conditions could affect the Group's business operations".*

In response to the COVID-19 outbreak, the Group has taken the following cost control initiatives to recalibrate its operations to ensure long-term sustainability:

- adjusted the level of its workforce, in particular in the hospitality segment which was affected most due to a reduction of tourist and business travel;
- reviewed all of its overheads with a view of reducing administrative costs;
- repositioned all assets where possible, monetised assets if attractive offers were made; and
- delayed certain capital expenditures to preserve cash and maintain liquidity.

The Group is expected to benefit from government incentives, compensation programmes and designated quarantine hotel programmes, such as the Employment Support Scheme under the Anti-epidemic Fund in Hong Kong, which provides a wage subsidy to eligible employers as well as tax deferral and incentives offered by the Singaporean and Australian governments. With the incentives and compensation programmes offered, the Group received approximately HK$203 million in FY 2021, which, to some extent, mitigated the financial impacts of COVID-19 in FY2021.

Launch of property development projects

The Group launched two landmark projects, namely Aspen at Consort Place in London and Queen's Wharf Residences (Tower 4) in Brisbane, in FY2021, as well as New Cross Central in Manchester, Hyll on Holland in Singapore and Victoria Riverside in Manchester for pre-sale. The Group expects to launch four development projects in FY2022, namely Mount Arcadia (renamed from Shatin Heights) in Hong Kong, the second phase of Victoria Riverside in Manchester, the second phase of Queen's Wharf Residences in Brisbane and Bourke Street in Melbourne.

Crystallisation of retail asset value

Agreements have been signed for the sale of the retail component of ARTRA for S$55.2 million, developed by a joint venture in which the Group has a 70 per cent. interest, and Astoria Crest in Hong Kong for HK$40 million.

New lease in Wuhan

In September 2020, the Group also entered into a new 18-year lease contract with Shanghai Really Sports Equipment Limited Company, a flagship sports goods retailer, for its Wuhan mall named "Hong Kong & Macao Center" located at the heart of downtown Wuhan on Jianghan Road. The 18-year lease commencing in October 2020 comprises seven floors with a total retail area of approximately 312,000 sq. ft. Yearly rental will amount to approximately HK$50 million, with an 8.0 per cent. step-up every three years. This new lease is approximately 100 per cent. higher than the previous equivalent rent received. This new lease has triggered a valuation gain of HK$341 million.

Refinancing and repayment of existing indebtedness

The Group continued to improve its capital structure through the repayment and refinancing of its loans. During FY2021, the Group fully repaid the construction loan of ARTRA in Singapore, which amounted to S$40 million as at 31 March 2020. The Group also repaid over AUD220 million of the construction loan for West Side Place (Tower 1 and 2) in Melbourne using sales proceeds accruing from the commencement of the handover process in August 2020. Furthermore, the Group successfully refinanced the HK$980 million short-term land acquisition loan with the HK$2.4 billion long-term construction loan for its Kai Tak development in Hong Kong and a 3-year unsecured term loan facility of HK$1,500 million. The Group also continued to adopt a conservative approach to maintain a flexible and solid financial position. It completed the repurchase of certain notes outstanding of a total principal amount of approximately US$38.6 million in FY2021. In FY2021, the Group further bought back US$50 million of its US$300,000,000 notes due 8 September 2021 through tender offer and issued 10-year notes for a principal amount of HK$200 million, 12.25-year notes for a principal amount of HK$200 million and 3-year notes for a principal amount of US$235 million. Furthermore, the Group entered into a facility agreement with a group of banks for a 3-year unsecured term loan facility of HK$1,500 million.

Recovery of foreign exchange rates and The Star's share prices

Overall in FY2021, the rebound in all currencies against the Hong Kong Dollar has had a positive effect on the value of the Group's total adjusted equity, which rose from HK$30.7 billion as at 31 March 2020 to HK$34.6 billion as at 31 March 2021. The net asset value of the Group per share of the Group rose by 12.9 per cent. from HK$11.59 as at 31 March 2020 to HK$13.09 as at 31 March 2021. The table below sets forth the exchange rates of the Hong Kong Dollar against the local currency of countries where the Group has significant operations:

Rate as at	**31 March 2020**	**31 March 2021**	**Change**
HK$/AUD	4.78	5.90	23.4%
HK$/RMB..	1.09	1.18	8.3%
HK$/MYR..	1.79	1.87	4.5%
HK$/GBP	9.57	10.66	11.4%
HK$/CZK	0.31	0.35	12.9%
HK$/SGD	5.44	5.77	6.1%

Recovery in the performance of the Group's hospitality and gaming operations

The outbreak of COVID-19 has had a significant impact on the global travel industry and in turn, has adversely affected the Group's hotel operations.

The Group took decisive and early actions to mitigate the impact across its portfolio, such as repositioning assets towards medical staff, self-quarantine guests and long stay guests, furloughing staff, cutting costs and incentives and reviewing thoroughly all its expenses. These measures, combined with an improvement in the business environment, have led to a gradual improvement in hotel performance since June 2020, especially in Hong Kong, the main contributor to the Group's hotel operations. Average room rates in general had also recovered from the impact of COVID-19. The tables below illustrates the recovery of the Group's OCC in Hong Kong and globally in FY2021.

Occupancy rate of Hong Kong hotel operations

Year/Month	April	May	June	July	August	September	October	November	December	January	February	March
FY2020	93%	91%	90%	89%	71%	59%	65%	64%	60%	55%	48%	63%
FY2021	62%	60%	70%	76%	71%	82%	79%	82%	75%	67%	61%	69%

Occupancy rate of global hotel operations

Year/Month	April	May	June	July	August	September	October	November	December	January	February	March
FY2021	41%	41%	45%	53%	59%	65%	62%	60%	56%	46%	40%	52%

In conjunction with the relaxation of outbreak-management restrictions in the Group's most affected geographies and the promotion of staycation packages to local residents, the Group's hotel operations had gradually improved to pre-COVID-19 levels. The recovery of the Group's hotel operations is bolstered by partnerships with the governments in some markets within which it operates, such as Hong Kong, the UK and Singapore, to provide accommodation for essential workers and quarantined persons. Since late December 2020, two of the Group's hotels in Hong Kong were selected by the Hong Kong government as close contact quarantine centers and six other hotels of the Group in Hong Kong were selected by Hong Kong government as designated hotels to take care of guests with government mandatory quarantine requirements. In addition, one of the Group's hotels in Hong Kong was under contract to accommodate medical staff during FY2021.

In addition, the openings of the Ritz-Carlton in Melbourne and the Dorsett Gold Coast and the extension of the Dorsett Shepherds Bush hotel expected in the second half of FY2022 are the next major milestones for the Group's hotel operations and are expected to contribute to the Group's recurring revenue stream starting in FY2022.

The Group's gaming operations in the Czech Republic were significantly impacted by the local government's anti-pandemic measures. For example, the Czech government has announced various temporary closures of services and outlets, including casinos, from April to June 2020. In response to the situation, the Group took swift actions to reduce operating expenses by reducing staff and general expenditure. The Group also benefited from the state support programs of the local governments in countries where TWC operates. Following the reopening in May 2021, the Group's gaming business in the Czech Republic experienced a rebound. The Group also initiated ground work for the award of a Malta online gaming licence which will enable TWC to offer its gaming experience into certain European countries.

As at the date of this Offering Circular, the People's Republic of China, Hong Kong and Singapore have continued to do well in the control of the spread of COVID-19 in their respective economies, with a significant decline in community spread of the virus. With business activities gradually resuming to pre-COVID-19 levels in these significant geographies and the expansion of "Return2HK scheme", the implementation of the designated quarantine hotel scheme, the increasing uptake of COVID-19 vaccinations in major developed countries and the potential implementation of travel bubbles with neighbouring countries, the Group expects its business and financial conditions to continue to stabilise and to remain profitable.

First International Property

With a view to providing a comprehensive range of services for buyers in Hong Kong, the Group started a new property agency business, First International Property, to focus on international property sales. The business aims to link up world-renowned developers and professional solicitors, mortgage brokers and property managers and assist buyers at every stage of their investment process, from acquisition of the property, ongoing management to the collection of rent and the resale of the property.

Launch of safe deposit box business

The Group established a new team to focus on a new safe deposit box business, Far East Vault ("**FEV**"), with its first outlet started operation in the third quarter of 2020 in Hong Kong with around 4,500 safe deposit boxes. Apart from the full 24-hour security provided, FEV introduces leading-edge intelligent security technologies to traditional vault services including facial recognition, palm vein scans and real-time QR codes, by combining physical and biometric identification.

Acquisitions in Manchester, Sydney and Hong Kong

The Group continued to grow its footprint in Manchester and Sydney in FY2021. The Group replenished its land bank by securing new land in Manchester as it continues to develop the Victoria North (formerly known as Northern Gateway) with its partner, the Manchester City Council. The Group also partnered with The Star to acquire a site in Pyrmont, Sydney, located next to the existing site where The Star operates its casino in Sydney, with the intention to co-develop a mixed-use tower.

In June 2021, the Group completed the acquisition of a piece of land in Tuen Mun, Hong Kong, which is earmarked for residential development.

Business expansion, strategic partnership and RMBS issuances

In November 2020, BC Group successfully issued its inaugural Australian dollar-denominated residential mortgage-backed security ("**RMBS**"). The transaction was upsized to AUD416 million. This inaugural issue marked a major milestone for BC Group and allowed BC Group to access the capital markets at a more attractive cost of fund. BC Group continues to broaden its sources of financing and is in active discussion with institutional investors and international banks to secure additional funding.

In May 2021, BC Group entered into a strategic partnership with Novatti Group Limited (ASX:NOV) ("**Novatti**") by investing AUD2 million into Novatti's dedicated banking subsidiary, Novatti B Holding Company Pty Ltd ("**NBHC**"), as part of a seed funding round, to acquire a 19.9 per cent. share of NBHC. BC Group will also commit AUD2.5 million as part of the Series A funding round of NBHC. These funds will enable NBHC to accelerate its development.

In FY2021, BC Group extended its mortgage lending platform to the UK where it sees the strong potential and explosive growth in the demand for residential mortgages from non-residents. Along with the successful expansion into the UK market, BC Group completed its second RMBS offering raising AUD500 million in June 2021. BC Group is also planning to start the asset management business which will enable BC Group to grow further and be diversified to not just lending on residential properties but also other assets.

BC Group is reviewing a number of new and promising markets where it can expand its service offerings. It is also reviewing a number of potential acquisitions to increase its products and services and bulk-up in size. The Group remains committed to growing the BC Group business and expects contribution from the business to increase over time.

Agreement with Bonjour

In April 2021, the Group entered into an agreement with Bonjour Holdings Limited ("**Bonjour**") through the subscription of HK$129.5 million 8 per cent. coupon secured and guaranteed convertible bonds due 2026 issued by a subsidiary of Bonjour. As of the date of this Offering Circular, the Group is evaluating the redevelopment potential of Bonjour's headquarters.

Disposals after FY2021

The Group continued to enhance its capital efficiency by actively disposing of non-core assets. After FY2021, the Group completed the disposal of certain retail units in Perth and car park units in Australia and Mainland China.

The Group also entered into an agreement on 15 June 2021 to sell the property holding company and the operating company of Dorsett City London, a 267-room freehold hotel, for an enterprise value of GBP115 million. The sale has been completed on 30 June 2021 and the Group has recognised a gain on disposal of approximately GBP50 million upon such completion.

ANNEX C

Prospectus Regulation public offer selling restriction

As the Pricing Supplement in respect of the Notes specifies "*Prohibition of Sales to EEA and UK Retail Investors*" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to the Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

ANNEX D

As the Pricing Supplement in respect of the Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**");

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to the Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.