

(Incorporated in Bermuda with limited liability) (Stock Code: 655)



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## **Corporate Information**

#### BOARD OF DIRECTORS Executive Directors

Dr. Stephen Riady (Chairman) Mr. John Lee Luen Wai, BBS, JP (Chief Executive Officer) Mr. Kor Kee Yee

#### **Non-executive Director**

Mr. Leon Chan Nim Leung

### Independent non-executive Directors

Mr. Albert Saychuan Cheok Mr. Victor Yung Ha Kuk Mr. Tsui King Fai

#### COMMITTEES Audit Committee

Mr. Tsui King Fai *(Chairman)* Mr. Leon Chan Nim Leung Mr. Albert Saychuan Cheok Mr. Victor Yung Ha Kuk

#### **Remuneration Committee**

Mr. Tsui King Fai *(Chairman)* Dr. Stephen Riady Mr. Leon Chan Nim Leung Mr. Albert Saychuan Cheok Mr. Victor Yung Ha Kuk

#### **Nomination Committee**

Mr. Tsui King Fai *(Chairman)* Dr. Stephen Riady Mr. Leon Chan Nim Leung Mr. Albert Saychuan Cheok Mr. Victor Yung Ha Kuk

## SECRETARY

Mr. Andrew Hau Tat Kwong

#### AUDITORS

Ernst & Young

## **PRINCIPAL BANKERS**

China CITIC Bank International Limited Standard Chartered Bank Bank of Beijing Co., Ltd. The Bank of East Asia, Limited Raiffeisen Bank International AG, Singapore Branch Oversea-Chinese Banking Corporation Limited

#### SOLICITORS

Howse Williams Bowers

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

## **REGISTERED OFFICE**

Clarendon House Church Street Hamilton HM 11 Bermuda

#### PRINCIPAL PLACE OF BUSINESS

24th Floor, Tower One Lippo Centre 89 Queensway Hong Kong

## **STOCK CODE**

655

#### WEBSITE

www.hkchinese.com.hk

I am pleased to present the annual report of the Company for the year ended 31st March, 2014.

#### **BUSINESS REVIEW**

The U.S. economy performed better with stronger private consumption, business investments and exports. With the gradual global economic recovery and easing of the Eurozone debt crisis, the major stock markets in U.S. and Europe began to pick up from the second half of 2012, continuing into and through 2013. However, it was overall a steady and modest economic recovery. Towards the end of 2013, the world economy faced fresh uncertainties and concerns about the possible global economic impact of the gradual withdrawal by the U.S. Federal Reserve of its quantitative easing program. On the positive side, amidst the continuing low interest rate and surplus funds environment, the major economies in the Asia region were able to sustain their growth momentum, with mainland China continuing to be the leading economic performer.

The Group maintained stable growth during the year under review, assisted by the continuing strong performance of the countries in the Asia region, within which the Group substantially has its operations and investments. The Group recorded a consolidated profit attributable to shareholders of approximately HK\$314 million for the year ended 31st March, 2014 (the "Current Year"), as compared to a consolidated loss of approximately HK\$209 million for the fifteen months ended 31st March, 2013.

The profit for the Current Year was mainly attributable to the recognition of the profit arising from the pre-sold properties of the Group's property development project at 北京經濟技術開發區 (Beijing Economic-Technological Development Area) in Beijing (the "BDA Project") and share of profit arising from the pre-sold properties of the "Centennia Suites", a property development project in Singapore held by the Group's joint venture, both of which had been completed in the Current Year.

The Group has a 50 per cent. interest in the "Marina Collection", which is located at Sentosa Cove, Sentosa Island, Singapore. This property development project was completed in 2011 and provides 124 high-end luxury waterfront residential units with a total saleable area of approximately 29,808 square metres. Up to 31st March, 2014, 89 units have been sold of which 9 units were sold during the Current Year.

The Group has a 50 per cent. interest in the "Centennia Suites" located at 100 Kim Seng Road, Singapore. "Centennia Suites", with a site area of approximately 5,611 square metres, has been developed into a residential development with a saleable area of approximately 16,182 square metres. This project has been completed in the fourth quarter of 2013. All the 97 residential units in this project have been pre-sold in 2010.

As part of the internal group restructuring, Lippo ASM Asia Property Limited ("LAAPL"), a joint venture of the Company, was set up in March 2013 as the new holding vehicle to hold the controlling stake of OUE Limited ("OUE"), a listed company in Singapore principally engaged in property investment and development and hotel operations. The Group's economic interest in OUE remains unchanged after the group restructuring. As at 31st March, 2014, LAAPL had an aggregate interest of approximately 68.02 per cent. in OUE.

In June 2013, the OUE Group successfully completed the acquisition of the U.S. Bank Tower, a Class A office property located in the core of downtown Los Angeles and the tallest iconic building in California, U.S. Together with its interest in other well diversified and high quality properties in Singapore such as One Raffles Place and OUE Downtown, the OUE Group has substantial and stable recurrent income stream.

#### BUSINESS REVIEW (continued)

In July 2013, OUE completed the disposal of its entire interest in Mandarin Orchard Singapore ("Mandarin Orchard") and Mandarin Gallery to OUE Hospitality Trust ("OUE H-Trust"), a newly established real estate investment trust, at an aggregate consideration of S\$1,705 million (the "Disposal"). OUE retains its rights to operate Mandarin Orchard and manage Mandarin Gallery. The consideration of the Disposal was settled in a combination of cash and stapled securities in OUE H-Trust. Concurrent with the completion of the Disposal, the listing of and commencement of trading of the staple securities in OUE H-Trust on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") took place on 25th July, 2013. OUE is the sponsor and long-term investor of OUE H-Trust. With the successful listing of OUE H-Trust and by retaining a stake in OUE H-Trust, it is expected that OUE will benefit from a stable and recurring income stream.

In November 2013, the board of directors of OUE proposed to declare a conditional distribution in specie of certain OUE H-Trust stapled securities held by OUE to the shareholders of OUE on the basis of one OUE H-Trust stapled security for every six shares of OUE (the "Distribution"). With completion of the Distribution on 31st March, 2014, OUE held approximately 33.9 per cent. of the total number of stapled securities units of OUE H-Trust in issue and LAAPL received approximately 7.9 per cent. of the total number of stapled securities units of OUE H-Trust in issue as at 31st March, 2014.

OUE Commercial Real Estate Investment Trust ("OUE C-REIT") was established by OUE and its initial property portfolio includes OUE Bayfront, an 18-storey office building in Singapore with its ancillary properties (the "OUE Bayfront Property") as well as the properties at Lippo Plaza in Shanghai. The OUE Bayfront Property was disposed of by OUE to OUE C-REIT at a consideration of approximately \$\$1,005 million which was paid in a combination of cash and units in OUE C-REIT. With the offer price of \$\$0.8 per unit, the listing of OUE C-REIT on SGX-ST took place on 27th January, 2014. Establishment of OUE C-REIT is in line with OUE's strategy to grow by leveraging on prime commercial assets to diversify and expand into new geographical area. As at 31st March, 2014, the OUE Group was holding approximately 47.8 per cent. of the total number of OUE C-REIT units in issue.

The Group also participated in property projects in mainland China, including Lippo Tower in Chengdu and the BDA Project. The Group has an 80 per cent. interest in the BDA Project which has been completed in the third quarter of 2013. The BDA Project involves the development of an integrated residential, commercial and retail complex with a total gross floor area of about 275,000 square metres, including basements. The sale and handover of approximately 90 per cent. of the total saleable area of the project has been completed as at 31st March, 2014.

The Group has 100 per cent. interest in the residential development known as "M Residences" at 83 Estrada de Cacilhas, Macau. Superstructure works of the project commenced in August 2013 and the topping-out ceremony took place in March 2014 whilst the interior fitting-out works are progressing well. "M Residences", with a site of approximately 3,398 square metres, is being developed into 311 residential units with a total saleable area of approximately 26,025 square metres. The above development is scheduled to be completed later in the next financial year. As at 31st March, 2014, about 96 per cent. of the total saleable area of the project had been pre-sold.

The Macau Chinese Bank Limited ("MCB"), a wholly-owned subsidiary of the Company, maintained steady performance during the Current Year amidst the strong performance of the Macau economy. The Group will continue to seek new business opportunities for MCB and enhance its competitiveness in the Macau banking sector.

#### **BUSINESS REVIEW** (continued)

Though the rebound of the major stock markets in U.S. and Europe has continued into the Current Year, the stock markets in Hong Kong and mainland China remained sluggish with low initial public offering activities. For the local stock market, participation from retail investors remained cautious given the uncertain market conditions. This has affected the performance and profitability of Lippo Securities Holdings Limited ("LSHL") during the Current Year. LSHL is a wholly-owned subsidiary of the Company and its subsidiaries are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The outlook for the local stock market will be dependent on the market conditions in mainland China and economic developments globally, especially in U.S. and Europe.

The Group will continue to be watchful of market developments and will manage its portfolio with a view to further improving overall asset quality.

#### PROSPECTS

The economic prospects for Asia remain positive but with the growth momentum dependent on the pace of economic recovery in U.S. and Europe. Though there are strong signs that the global economy has picked up, the gradual withdrawal by the U.S. Federal Reserve of its quantitative easing program will undoubtedly affect the pace of the economic recovery in U.S. and globally in the coming year. Hopefully, the present low interest rate environment can continue and if so, would help to promote investor confidence and create new business opportunities, although there are concerns that the present low interest environment may not be endure.

The Group will continue to focus on property investment and property development businesses in Asia Pacific region for its long term growth. Management is however watchful of the economic challenges ahead and will accordingly continue to take a cautious and prudent approach in the management of the Group's property portfolio and businesses and in its assessment of new investment opportunities.

#### ACKNOWLEDGEMENT

On behalf of the Board of Directors of the Company, I would like to take this opportunity to express our gratitude to our shareholders for their continuing support. I would also like to express my thankfulness to my fellow Directors, management and all staff members of the Group for their hard work and dedication.

**Stephen Riady** *Chairman* 

27th June, 2014

# **Discussion and Analysis of Results**

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company's financial year end date was changed from 31st December to 31st March. Accordingly, the current financial year covers a twelve-month period from 1st April, 2013 to 31st March, 2014 (the "Current Year"), and the comparative figures cover a fifteen-month period from 1st January, 2012 to 31st March, 2013 (the "Last Period").

The Group reported a profit attributable to shareholders of HK\$314 million for the Current Year (the Last Period — loss of HK\$209 million). The profit for the year was mainly attributable to the recognition of profit arising from the sold units of the Group's property development project in Beijing which was completed during the Current Year.

#### **RESULTS FOR THE YEAR**

Lippo ASM Asia Property LP was previously regarded as an associate of the Group. Following the adoption of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" by the Group from 1st April, 2013 onwards, it is treated as a subsidiary of the Group. Its results and financial position are consolidated in the Group's financial statements with retrospective adjustments on prior period figures.

Turnover for the Current Year totalled HK\$3,970 million (the Last Period — HK\$134 million, restated). The significant increase was mainly attributable to the revenue from the property development project in Beijing completed during the Current Year.

#### **Property investment**

The revenue of the property investment business for the Current Year amounted to HK\$13 million (the Last Period — HK\$17 million). The segment profit amounted to HK\$14 million for the Current Year (the Last Period — HK\$62 million), the decrease of which was mainly attributable to the decrease in net fair value gains on investment properties.

Lippo ASM Asia Property Limited ("LAAPL"), a principal joint venture of the Group, has a majority interest in OUE Limited ("OUE", formerly known as Overseas Union Enterprise Limited). OUE is a listed company in Singapore with assets across the commercial, hospitality, retail and residential sectors primarily in Singapore. During the Current Year, OUE acquired US Bank Tower, a Class A office property in downtown Los Angeles. In January 2014, OUE Commercial Real Estate Investment Trust ("OUE C-REIT") was listed in Singapore with OUE Bayfront acquired from OUE and Lippo Plaza in Shanghai acquired from Lippo China Resources Limited, a fellow subsidiary of the Group, as its initial portfolio. All these investments provide strong and recurring income stream to OUE.

In July 2013, OUE completed the disposal of its entire interest in Mandarin Orchard Singapore and Mandarin Gallery to OUE Hospitality Trust ("OUE H-Trust"), a newly established real estate investment trust listed in Singapore. OUE held substantial stake in OUE H-Trust upon listing and consolidated the results, assets and liabilities in the books of OUE. In March 2014, OUE made a distribution in specie of units of OUE H-Trust to its shareholders, with more details mentioned under the section headed "Chairman's Statement". After the distribution in specie, OUE H-Trust was deconsolidated in the books of OUE as a result of the reduction of OUE's effective interest and a substantial gain (the "Gain") relating to the disposal of subsidiaries was recognised. However, there was no substantial change of LAAPL's effective interests in the OUE H-Trust through the receipt of units from the distribution in specie. Hence, LAAPL continues to consolidate the results, assets and liabilities of OUE H-Trust and the Gain was not shared by the Group in the Current Year. As a result, the Group registered a share of loss of HK\$527 million from the investment in LAAPL during the Current Year (the Last Period — HK\$282 million). The share of loss recognised during the year was mainly attributable to the provision made on the properties under development, the net fair value loss on investment portfolio and the finance costs incurred. The Group's interest in the investment decreased to approximately HK\$7.9 billion (31st March, 2013 — HK\$8.2 billion), mainly attributable to the share of loss during the year.

## RESULTS FOR THE YEAR (continued)

#### Property development

The Group has participated in a number of well-located property development projects in mainland China, Macau, Singapore and other area of the Asia Pacific region.

In mainland China, construction of an integrated residential, commercial and retail complex at the Beijing Economic-Technological Development Area (the "BDA Project") was completed in the third quarter of year 2013. Pre-sale has been launched since July 2011 and a substantial part of the residential units, office blocks and the retail mall have been sold before the completion. The sale and handover of approximately 90 per cent. of the total saleable area have been completed as at 31st March, 2014. As a result, for the Current Year, the segment recorded a revenue of HK\$3,844 million (the Last Period — Nil) and a profit of HK\$1,642 million (the Last Period — loss of HK\$64 million), respectively. As the BDA Project has been completed, the Group's property under development decreased to HK\$0.6 billion as at 31st March, 2014 (31st March, 2013 — HK\$2.4 billion).

In Macau, main contract works of "M Residences", a property development project, have commenced and are expected to be completed in next financial year. Pre-sale has been launched since November 2011 and has received satisfactory response. About 96 per cent. of the saleable area of the residential units has been pre-sold as at 31st March, 2014 at a total consideration of approximately HK\$1.2 billion. The revenue and profit arising from the project will be reflected in the Group's results in the year of completion.

In Singapore, all the units for Centennia Suites, a joint venture property development project at Kim Seng Road, Singapore have been sold out during the pre-sale in 2010. Temporary occupation permit was obtained in October 2013 and handover was completed. As a result, the Group registered a share of profit of HK\$178 million from the investment during the Current Year.

The Group has interests in "Marina Collection" in Sentosa Cove, Singapore, a property development project carried out by an associate of the Group. For the Current Year, a further share of profit of HK\$35 million (the Last Period — HK\$125 million) was recorded from this project, mainly coming from the sale of properties.

#### **Treasury and securities investments**

Treasury and securities investments businesses recorded a revenue of HK\$47 million during the Current Year (the Last Period — HK\$28 million, restated), mainly attributable to the interest and dividend income received from the investment portfolio and the disposal of the Group's financial assets held for trading. The segments recorded a profit of HK\$41 million for the Current Year (the Last Period — HK\$19 million, restated).

## **Corporate finance and securities broking**

Although there are signs of rebound of the major stock markets in U.S. and Europe, investors remain selective and vigilant in the highly volatile markets. The Group adopts a cautious and prudent approach in conducting its corporate finance and securities broking business. It registered a turnover of HK\$30 million for the Current Year (the Last Period — HK\$42 million) and the loss of this segment was HK\$6 million (the Last Period — HK\$15 million).

#### **Banking business**

The Macau Chinese Bank Limited ("MCB"), a licensed bank in Macau, is a wholly-owned subsidiary of the Company. MCB has been seeking new business opportunities and remains positive to enhance its competitiveness in the Macau banking sector. The segment recorded a turnover of HK\$19 million for the year (the Last Period — HK\$19 million) and registered a profit of HK\$2 million (the Last Period — HK\$0.6 million).

#### **FINANCIAL POSITION**

As at 31st March, 2014, the Group's total assets decreased to HK\$13.2 billion (31st March, 2013 — HK\$14.7 billion, restated). Property-related assets decreased to HK\$9.8 billion (31st March, 2013 — HK\$13.3 billion), representing 74 per cent. (31st March, 2013 — 90 per cent., restated) of the total assets. Total liabilities decreased to HK\$2.5 billion (31st March, 2013 — HK\$4.4 billion, restated), mainly due to repayment of bank loans, transfer of the pre-sale proceeds received from the BDA Project to revenue upon completion of handover. The Group's financial position remained healthy.

As at 31st March, 2014, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK\$308 million (31st March, 2013 — HK\$509 million). The bank loans were denominated in Hong Kong dollars and Renminbi. All the bank loans carried interest at floating rates and were secured by certain properties of the Group and certain bank deposits. As at 31st March, 2014, all the bank and other borrowings (31st March, 2013 — 56 per cent.) were repayable within one year. At the end of the reporting period, gearing ratio (measured as total borrowings, net of non-controlling interests, to shareholders' funds) was 3.0 per cent. (31st March, 2013 — 4.4 per cent.).

The net asset value attributable to equity holders of the Group remained strong and amounted to HK\$10.4 billion (31st March, 2013 — HK\$10.3 billion). This was equivalent to HK\$5.2 per share (31st March, 2013 — HK\$5.1 per share).

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swap and currency loans would be used to manage the foreign exchange exposure.

As at 31st March, 2014, the Group had contingent liabilities relating to MCB of approximately HK\$18 million (31st March, 2013 — HK\$21 million), comprising guarantees and other endorsements of approximately HK\$15 million (31st March, 2013 — HK\$15 million) and liabilities under letters of credit on behalf of customers of approximately HK\$3 million (31st March, 2013 — HK\$6 million). Aside from the abovementioned, the Group had no material contingent liabilities outstanding as at 31st March, 2014 (31st March, 2013 — Nil). Apart from the abovementioned, there were no charges on the Group's assets at the end of the year (31st March, 2013 — Nil).

The Group's commitments mainly arise from its property development projects. Following the completion of the BDA Project during the year, the total commitment as at 31st March, 2014 decreased to HK\$290 million (31st March, 2013 — HK\$798 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

#### **STAFF AND REMUNERATION**

The Group had 172 employees as at 31st March, 2014 (31st March, 2013 — 210 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Current Year amounted to HK\$59 million (the Last Period — HK\$90 million). The Group ensures that its employees are offered competitive remuneration packages.

#### **BUSINESS STRATEGY**

The business activities of the Group are diversified. The principal activities of the subsidiaries, associates and joint ventures of the Company are investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The Group is committed to achieve long term sustainable growth of its businesses in preserving and enhancing the shareholders' value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

#### OUTLOOK

The global economic environment has stabilised since last year but it still continues to face various uncertainties. The Group will continue to cautiously manage its investment portfolio in view of the market conditions and its business needs with a view to maximising returns to the shareholders of the Company.

## **Corporate Governance Report**

#### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to ensuring high standards of corporate governance practices. The Board of Directors of the Company (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance so as to safeguard the interests of shareholders and enhance shareholders' value.

During the year ended 31st March, 2014 (the "Year"), the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge and belief of the Directors, the Directors consider that, save as disclosed below, the Company has complied with the code provisions of the CG Code for the Year. Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings. One of the independent non-executive Directors of the Company was unable to attend the annual general meeting of the Company held on 30th August, 2013 (the "2013 AGM") as he was travelling overseas and not contactable at that time due to communication problem.

#### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have fully complied with the required standard set out in the Model Code throughout the Year.

To enhance corporate governance, the Company has also established written guidelines no less exacting than the Model Code for the relevant employees of the Group in respect of their dealings in the Company's securities.

#### **BOARD OF DIRECTORS**

The Board currently comprises seven members (the composition of the Board is shown on page 20), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 21 to 23). A list containing the names of the Directors and their roles and functions can also be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise under rule 3.10 of the Listing Rules. All the independent non-executive Directors have signed the annual confirmation of independence pursuant to rule 3.13 of the Listing Rules to confirm their independence. The Company considers that all independent non-executive Directors have met the independence guidelines of rule 3.13 of the Listing Rules.

#### **BOARD OF DIRECTORS** (continued)

Messrs. Victor Yung Ha Kuk and Tsui King Fai (who are to retire by rotation at the forthcoming 2014 annual general meeting of the Company (the "2014 AGM")) and Mr. Albert Saychuan Cheok have served as independent non-executive Director of the Company for more than nine years. In addition to their confirmation of independence in accordance with rule 3.13 of the Listing Rules, each of them continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice and there is no evidence that their tenure have had any impact on their independence. The Directors are of the opinion that Messrs. Victor Yung Ha Kuk, Tsui King Fai and Albert Saychuan Cheok remain independent notwithstanding the length of their service and they believe that their valuable knowledge and experience in the Group's business and their external experience continue to generate significant contribution to the Company and its shareholders as a whole.

Under the Company's Bye-laws, one-third of the Directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retire at the relevant annual general meeting would as a result exceed one-third of the Directors. Under the Listing Rules, if an independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. All the Directors have entered into employment agreements or letter agreements with the Company setting out the key terms and conditions of their respective appointment as directors of the Company.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The Board has delegated certain functions to the relevant Board committees, details of which are disclosed below. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, material policies and decisions, significant changes in accounting policies, material contracts, major investments and approval of interim reports, annual reports and announcements of interim and final results. Management provides the Directors with management updates of the Group's operation, performance and position. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Legal and regulatory updates are provided to the Directors from time to time for their information so as to keep them abreast of the latest rule requirements and assist them in fulfilling their responsibilities. The Company Secretary may advise the Directors on queries raised or issues which arise in performance of their duties as directors. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

Three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, have been established to oversee particular aspects of the Group's affairs.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Four Board meetings were held during the Year.

During the Year, the Chairman held a meeting with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.

#### **BOARD OF DIRECTORS** (continued)

Individual attendance of each Director at the Board meetings and general meeting and each committee member at meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee during the Year are set out below:

	Attendance/Number of Meetings				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting*
Executive Directors					
Dr. Stephen Riady <i>(Chairman)</i>	4/4	N/A	2/3	2/3	1/1
Mr. John Lee Luen Wai (Chief Executive Officer)	4/4	N/A	N/A	N/A	1/1
Mr. Kor Kee Yee	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Leon Chan Nim Leung	4/4	3/3	3/3	3/3	1/1
Independent non-executive Directors					
Mr. Tsui King Fai (Chairman of the Audit Committee, Remuneration Committee and Nomination Committee)	4/4	3/3	3/3	3/3	0/1
Mr. Albert Saychuan Cheok	4/4	3/3	1/3	1/3	1/1
Mr. Victor Yung Ha Kuk	4/4	3/3	3/3	3/3	1/1

\* the only general meeting of the Company held during the Year was the 2013 AGM

#### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Dr. Stephen Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. John Lee Luen Wai is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

#### **NON-EXECUTIVE DIRECTORS**

There are currently four non-executive Directors of whom three are independent. Under the Company's Byelaws, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. All the non-executive Directors have a fixed term of contract of two years with the Company.

#### **REMUNERATION OF DIRECTORS**

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises Directors of the Company only.

The principal role of the Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior management, including salaries, bonuses, share options and benefits in kind. Salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the Year, the Remuneration Committee reviewed and determined, with delegated responsibility, inter alia, (i) the remuneration packages of the Directors and senior staff; and (ii) service contracts of certain Directors.

Majority of the Committee members are non-executive Directors and three of them are independent. The Remuneration Committee comprises five members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Remuneration Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk, a non-executive Director, namely Mr. Leon Chan Nim Leung and an executive Director, namely Dr. Stephen Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 7 and 2.4(v) to the financial statements, respectively.

#### NOMINATION OF DIRECTORS

The Board has the power to appoint Director(s) pursuant to the Company's Bye-laws. No new Director was appointed during the Year.

A Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The principal role of the Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessment of the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee and recommendation of the Nomination Committee is then put to the Board for decision. During the Year, the Nomination Committee reviewed, inter alia, the eligibility of the Directors seeking for re-election at the 2013 AGM and assessed the independence of the independent non-executive Directors. The Nomination Committee also reviewed the existing structure, size, composition, diversity and efficiency of the Board and reviewed the objectives set for implementing the Diversity Policy (as defined hereinbelow).

#### **NOMINATION OF DIRECTORS** (continued)

The Board considers its diversity is essential to the sustainable success of the Company and adopted a board diversity policy (the "Diversity Policy") in August 2013. The Nomination Committee undertakes the function to review the Diversity Policy and make recommendations on any required changes to the Board. The Diversity Policy sets out the approach to achieve diversity on the board which will include and make good use of the difference in skills, professional experience, educational background, gender, age, knowledge, length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all board appointments will be based on merit and contribution, having due regard to the overall effective function of the Board as a whole. The Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee monitors the implementation of the Diversity Policy. The Nomination Committee will review the Diversity Policy from time to time to ensure its continued effectiveness. A copy of the Diversity Policy can be found on the Company's website (www.hkchinese.com.hk). The Company believes that diversity can strengthen the performance of the Board, and promote effective decision-making and better corporate governance and monitoring.

Majority of the Committee members are non-executive Directors and three of them are independent. The Nomination Committee comprises five members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Nomination Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk, a non-executive Director, namely Mr. Leon Chan Nim Leung and an executive Director, namely Dr. Stephen Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Shareholders may propose a candidate for election as a Director in accordance with the Bye-laws of the Company. The procedures for such proposal are published on the Company's website (www.hkchinese.com.hk).

#### DIRECTORS' TIME COMMITMENT AND TRAINING

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. Directors are encouraged to participate in professional, public and community organisations. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information. In respect of those Directors who would stand for re-election at the 2014 AGM, all their directorships held in listed public companies in the past three years are to be set out in the circular to shareholders regarding, inter alia, proposed re-election of retiring Directors. Other details of Directors are set out in the brief biographical details of Directors and senior management on pages 21 to 23.

## DIRECTORS' TIME COMMITMENT AND TRAINING (continued)

Directors are also encouraged to attend seminars and conferences to enrich their knowledge in discharging their duties as a director. The Company has arranged from time to time at its cost seminars and/or conferences conducted by professional bodies for the Directors relating to, inter alia, directors' duties, corporate governance and regulatory updates. Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

- (1) participation in continuous professional training seminars and/or conferences and/or courses and/or workshops on subjects relating to, inter alia, corporate governance, directors' duties and legal and regulatory changes organised and/or arranged by the Company and/or professional bodies and/or lawyers;
- (2) reading materials provided from time to time by the Company to the Directors regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties; and
- (3) reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development during the Year through the above means (1), (2) and (3). Records of the Directors' training during the Year are as follows:

Directors	Training received		
Executive Directors			
Dr. Stephen Riady <i>(Chairman)</i>	(1), (2) and (3)		
Mr. John Lee Luen Wai (Chief Executive Officer)	(1), (2) and (3)		
Mr. Kor Kee Yee	(1), (2) and (3)		
Non-executive Director			
Mr. Leon Chan Nim Leung	(1), (2) and (3)		
Independent non-executive Directors			
Mr. Albert Saychuan Cheok	(1), (2) and (3)		
Mr. Victor Yung Ha Kuk	(1), (2) and (3)		
Mr. Tsui King Fai	(1), (2) and (3)		

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' and officers' liability insurance for years to indemnify the directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

#### **AUDITORS' REMUNERATION**

Messrs. Ernst & Young has been appointed by the shareholders annually as the Company's auditors. During the Year, the fees charged to the financial statements of the Group for the statutory audit and non-statutory audit services provided by Messrs. Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditors nationally and internationally) amounted to approximately HK\$3.1 million (fifteen months ended 31st March, 2013 — HK\$3.9 million) and approximately HK\$0.1 million (fifteen months ended 31st March, 2013 — HK\$0.1 million), respectively.

#### AUDIT COMMITTEE

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Audit Committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee is also responsible for the Company's corporate governance functions. All Committee members are non-executive Directors and three of them including the Chairman are independent. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs. Tsui King Fai (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Victor Yung Ha Kuk and a non-executive Director, namely Mr. Leon Chan Nim Leung. Three meetings were held during the Year and the individual attendance of each member is set out above.

The Committee members possess diversified industry experience and the Chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Committee will meet at least twice each year. Management and auditors shall normally attend the meetings.

During the Year, the Audit Committee discharged its duties by reviewing financial, audit and corporate governance matters of the Group, including management accounts, financial statements, interim and annual reports, corporate governance report and internal audit reports and discussing with executive Directors, management, external auditors and internal audit department (the "IA Department") regarding financial matters, corporate governance policies and practices and internal audit, control and risk management matters of the Group, and making recommendations to the Board on financial-related matters. The Audit Committee also recommended to the Board that, subject to the shareholders' approval at the 2014 AGM, Messrs. Ernst & Young be re-appointed as the Company's external auditors for the ensuing year; and reviewed the fees charged by the Company's external auditors.

#### **INTERNAL CONTROLS**

The Board recognises its responsibility for maintaining an adequate system of internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations.

During the Year, a review of the effectiveness of the Group's internal control system covering all material controls and risk management functions was conducted and such review will be conducted on an annual basis.

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A whistleblowing policy was also adopted by the Group.

During the Year, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review will be conducted annually in accordance with the requirements of the CG Code.

#### **INTERNAL AUDIT**

The IA Department was set up in 2007 to perform internal audit and to review the internal control system of the Group.

The principal roles of the internal audit are to ensure the effectiveness of internal control procedures and strict compliance with different standards and policies across different businesses and operations of the Group. The IA Department audits and evaluates the Group's internal control operation and management activities so as to establish that there are no significant misrepresentations of risks and faults in the Group. The IA Department is also responsible for providing improvement procedures to different operation teams and departments so as to minimise the risk exposure in the future. Ongoing enhancement and revision on the internal control system will have to be made from time to time so as to cope with the growth of the Group.

#### **COMPANY SECRETARY**

The Company Secretary is an employee of the Company. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. During the Year, the Company Secretary had taken the necessary professional training.

#### COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

The Company's Annual General Meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Board members, including the Chairmen of the Board and Board committees, and the Company's external auditors are invited to attend the AGM and answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at shareholders' meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow resolutions to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkchinese.com.hk).

To provide effective communication, the Company maintains a website at www.hkchinese.com.hk. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices and Memorandum of Association and Bye-laws are available on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

#### SHAREHOLDERS' RIGHTS

Under Bye-law 58 of the Bye-laws of the Company, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

#### FAIR DISCLOSURE AND INVESTOR RELATIONS

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be available to the public on the Company's website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken in handling Inside Information of the Group. The Board approved and adopted the Inside Information Policy during the Year which sets out guidelines to ensure Inside Information of the Group is to be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

Management of the Group maintains regular contacts with the investment community. A shareholders' communication policy was adopted by the Group.

During the Year, no amendments were made to the Company's Memorandum of Association and Bye-laws, an updated and consolidated version of which is available on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

#### FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31st March, 2014, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditors are responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 34 and 35.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time, and supported the Group's volunteer team in serving the disadvantaged groups and the community as a whole.

The Directors hereby present their report together with the audited financial statements for the year ended 31st March, 2014 (the "Year").

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

#### **RESULTS AND DISTRIBUTIONS**

The results of the Group for the Year and the state of affairs of the Group and the Company as at 31st March, 2014 are set out in the financial statements on pages 36 to 128.

An interim distribution of HK2 cents per share (six months ended 30th June, 2012 — Nil) for the six months ended 30th September, 2013 was paid on 10th February, 2014. The Directors have resolved to recommend the payment of a final distribution of HK2 cents per share (fifteen months ended 31st March, 2013 — HK2 cents per share) amounting to approximately HK\$40 million for the Year (fifteen months ended 31st March, 2013 — approximately HK\$40 millions for the Year will be HK4 cents per share (fifteen months ended 31st March, 2013 — approximately HK\$40 million). Total distributions for the Year will be HK4 cents per share (fifteen months ended 31st March, 2013 — 31st March, 2013 — 4K2 cents per share) amounting to approximately HK\$40 million (fifteen months ended 31st March, 2013 — 4K2 cents per share) amounting to approximately HK\$40 million).

#### SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 132.

#### **SHARE CAPITAL**

Details of movements in the share capital of the Company are set out in Note 30 to the financial statements.

#### SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 31 to the financial statements.

#### **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves of the Company and of the Group during the Year and details of the distributable reserves are set out in Note 32 to the financial statements and in the consolidated statement of changes in equity on page 41, respectively.

#### **FIXED ASSETS**

Details of movements in the fixed assets of the Company and of the Group during the Year are set out in Note 16 to the financial statements.

#### **INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Group are set out in Note 17 to the financial statements.

#### **DONATIONS**

During the Year, the Group made charitable and other donations of HK\$11,436,000 (fifteen months ended 31st March, 2013 — HK\$10,612,000).

## Report of the Directors (continued,

#### DIRECTORS

The Directors of the Company during the Year were as follows:

#### **Executive Directors**

Dr. Stephen Riady (*Chairman*) Mr. John Lee Luen Wai, BBS, JP (*Chief Executive Officer*) Mr. Kor Kee Yee

## **Non-executive Director**

Mr. Leon Chan Nim Leung

#### Independent non-executive Directors

Mr. Albert Saychuan Cheok Mr. Victor Yung Ha Kuk Mr. Tsui King Fai

In accordance with Bye-law 87 of the Bye-laws of the Company (the "Bye-laws"), Messrs. Leon Chan Nim Leung, Victor Yung Ha Kuk and Tsui King Fai will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of Messrs. Victor Yung Ha Kuk and Tsui King Fai entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30th September, 2012. Following the expiry of the term under their respective former letter agreements with the Company, each of Messrs. Leon Chan Nim Leung and Albert Saychuan Cheok entered into a new letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1st January, 2014. All the above letter agreements are terminable by either party by giving three months' prior written notice. Their terms of services are also subject to the provisions of the Bye-laws. Each of Messrs. John Lee Luen Wai and Kor Kee Yee has an employment agreement with the Company, which are terminable by either party by giving three months' prior written notice. Dr. Stephen Riady entered into a letter agreement with the Company setting out the key terms and conditions for serving as a Director of the Company. Dr. Stephen Riady was not appointed for a specific term but his term of service is subject to the relevant provisions of the Bye-laws. In accordance with the Bye-laws, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Company considers such Directors to be independent.

#### **BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**Dr. Stephen Riady**, aged 54, was appointed a Director of the Company in 1992 and is the Chairman of the board of directors of the Company. He is also an executive director and the Chairman of the board of directors of each of Lippo Limited ("Lippo") and Lippo China Resources Limited ("LCR"), both are public listed companies in Hong Kong. Dr. Riady is a director of Lanius Limited and Lippo Capital Limited. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. He also holds directorship in certain subsidiaries of the Company, Lippo and LCR. Dr. Riady is the Executive Chairman of OUE Limited (formerly known as Overseas Union Enterprise Limited) and an executive director of Auric Pacific Group Limited ("Auric"), both are public listed companies in Singapore. He serves as a member of the Nomination Committee of Auric. Dr. Riady is a graduate of the University of Southern California, United States of America and holds a Master Degree of Business Administration from Golden Gate University, United States of America and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Dr. Riady is the son of Dr. Mochtar Riady and Madam Lidya Suryawaty. The interests of Dr. Mochtar Riady and Madam Lidya Suryawaty. The interests and short positions of shareholders discloseable under the Securities and Futures Ordinance" below.

**Mr. John Lee Luen Wai**, BBS, JP, aged 65, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo and a director and the Chief Executive Officer of LCR. He is a director of Prime Success Limited and Hennessy Holdings Limited. Mr. Lee is also an authorised representative of the Company, Lippo and LCR. In addition, Mr. Lee holds directorship in certain subsidiaries of the Company, Lippo and LCR. He is an independent non-executive director of New World Development Company Limited and New World China Land Limited, both are public listed companies in Hong Kong. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Pricewaterhouse in Hong Kong and a Justice of Peace in Hong Kong. He is active in public service and currently serves as a member on a number of Public Boards and Committee including the Chairman of the Board of Trustees of the Hospital Authority Provident Fund Scheme and the Chairman of the Queen Elizabeth Hospital Governing Committee. In addition, he serves as a member of the Appeal Boards Panel (Education). Mr. Lee was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

**Mr. Leon Chan Nim Leung**, aged 58, was appointed a Director of the Company in 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008 and is currently one of the Panel Chairman of the Appeal Tribunal Panel on appeals against a decision of the Building Authority. He is also a non-executive director of Lippo and LCR. He is also a director of a subsidiary of the Company and the Chairman of the supervisory board of a subsidiary of the Company. Mr. Chan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. Mr. Chan is an independent non-executive director of Midland Holdings Limited and PanAsialum Holdings Company Limited, both are public listed companies in Hong Kong.

## Report of the Directors (continued,

#### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Albert Saychuan Cheok**, aged 63, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 40 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Philippines and Malaysia. Mr. Cheok is the independent non-executive Chairman of Auric, a food group listed in Singapore. Mr. Cheok is the independent non-executive Chairman of AcrossAsia Limited and International Standard Resources Holdings Limited, both public listed companies in Hong Kong. He is also the independent nonexecutive Chairman of Bowsprit Capital Corporation Limited ("Bowsprit"), the Manager of First REIT, a listed healthcare REIT in Singapore and the independent non-executive Chairman of Amplefield Limited ("Amplefield"). Both Bowsprit and Amplefield are public listed companies in Singapore. Mr. Cheok is the independent non-executive Chairman of LMIRT Management Limited, the Manager of Lippo Malls Indonesia Retail Trust which is a listed Singapore based real estate investment trust. Mr. Cheok is an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia. Mr. Cheok is an independent non-executive director of Adavale Resources Limited, a company listed on Australian Securities Exchange. Mr. Cheok is currently a Vice Governor of the Board of Governors of the Malaysian Institute of Corporate Governance in Malaysia. Mr. Cheok is an independent non-executive director of MIDAN City Development Co., Ltd. in Korea. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

**Mr. Kor Kee Yee**, aged 66, was appointed a Director of the Company in 2002. He also holds directorship in certain subsidiaries of the Company. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

**Mr. Victor Yung Ha Kuk**, aged 60, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and served in management positions in various multinational companies in Asia. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lippo and LCR. Mr. Yung is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong. He was also appointed as an independent non-executive director of Magnum Entertainment Group Holdings Limited which was listed on The Stock Exchange of Hong Kong Limited in January 2014.

#### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Tsui King Fai**, aged 64, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He is an independent non-executive director of Vinda International Holdings Limited, China Aoyuan Property Group Limited and Newton Resources Ltd, all are public listed companies in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is also an independent non-executive director of Lippo and LCR. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee and Nomination Committee of Lippo and LCR.

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below.

Save as disclosed herein and in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

#### DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments of the Directors on a named basis and the five highest paid employees in the Group are set out in Notes 7 and 8 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market rates, time commitment and their duties and responsibilities as well as employment conditions elsewhere in the Group.

The emoluments of the Directors for the Year have been covered by their respective employment agreements or letter agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for those as disclosed hereinbelow:

- (a) the director's fees and fringe benefits of Mr. John Lee Luen Wai in the total amount of approximately HK\$64,000;
- (b) the director's fees of Mr. Leon Chan Nim Leung in the total amount of approximately HK\$49,000; and
- (c) the director's fee of Mr. Albert Saychuan Cheok in an amount of approximately HK\$19,000.

Further details of the above Directors' emoluments are disclosed in Note 7 to the financial statements.

## Report of the Directors (continued)

#### DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (continued)

The fees payable to the non-executive Directors are HK\$192,000 per annum. A non-executive Director will also receive additional fees for duties assigned to and services provided by him as Chairmen and/or members of various Board committees of the Company. The fees payable per annum to non-executive Directors for serving as the Chairmen and/or members of various Board committees of the Company are as follows:

	HK\$
<b>Audit Committee</b> Chairman Member	48,000 24,000
<b>Other Committees</b> Chairman Member	24,000 24,000

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st March, 2014, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

#### Interests in shares and underlying shares of the Company and associated corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued shares
Number of ordinary shares of HK\$1.00 each in the Company					
Stephen Riady	_	-	1,121,517,842 Note (i)	1,121,517,842	56.12
John Lee Luen Wai Tsui King Fai Kor Kee Yee	2,000,270 600,000 606,000	270 75,000 –	- - -	2,000,540 675,000 606,000	0.10 0.03 0.03
Number of ordinary shares in Lippo Limited ("Lippo")					
Stephen Riady	-	-	319,322,219 Notes (i) and (ii)	319,322,219	64.75
John Lee Luen Wai	1,031,250	_	_	1,031,250	0.21
Number of ordinary shares in Lippo China Resources Limited ("LCR")					
Stephen Riady	-	- N	6,544,696,389 lotes (i), (ii) and (iii)	6,544,696,389	71.24

Note:

- (i) As at 31st March, 2014, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 1,121,517,842 ordinary shares of HK\$1.00 each in, representing approximately 56.12 per cent. of the issued shares of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the holder of 705,690,001 ordinary shares of HK\$1.00 each in, representing the entire issued shares of, Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the issued shares of Lanius. The beneficiaries of the trust include, inter alia, Dr. Stephen Riady and other members of the family. Dr. Stephen Riady was taken to be interested in Lippo Capital under the provisions of the SFO.
- (ii) As at 31st March, 2014, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares in, representing approximately 64.75 per cent. of the issued shares of, Lippo.
- (iii) As at 31st March, 2014, Lippo was indirectly interested in 6,544,696,389 ordinary shares in, representing approximately 71.24 per cent. of the issued shares of, LCR.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (continued) Interests in shares and underlying shares of the Company and associated corporations (continued)

For the reasons outlined above, through his deemed interest in Lippo Capital as mentioned in Note (i) above, Dr. Stephen Riady was also taken to be interested in the issued shares of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued shares
Abital Trading Pte. Limited	Ordinary shares	2	100
Blue Regent Limited	Ordinary shares	100	100
Boudry Limited	Ordinary shares	10	100
	Non-voting deferred shares	1,000	100
Brimming Fortune Limited	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Great Honor Investments Limited	Ordinary shares	1	100
Greenorth Holdings Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1	100
HKCL Investments Limited	Ordinary shares	1	100
Honix Holdings Limited	Ordinary shares	1	100
International Realty (Singapore) Pte. Limited	Ordinary shares	2	100
J & S Company Limited	Ordinary shares	1	100
Kingaroy Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1	100
	Non-voting deferred shares	15,999,999	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Prime Success Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	Ordinary shares	100,000	100
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100

As at 31st March, 2014, Dr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares in, representing approximately 16.67 per cent. of, the issued shares of, Lanius which is the holder of the entire issued shares of Lippo Capital. Lanius is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady (father of Dr. Stephen Riady), who does not have any interest in the issued shares of Lanius. The beneficiaries of the trust include, inter alia, Dr. Stephen Riady and other members of the family.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (continued) Interests in shares and underlying shares of the Company and associated corporations (continued)

As at 31st March, 2014, Dr. Stephen Riady was interested in 27,493,311 ordinary shares in Auric Pacific Group Limited ("Auric"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Goldstream Capital Limited, which in turn is a wholly-owned subsidiary of Bravado International Ltd. ("Bravado"). Dr. Stephen Riady is the beneficial owner of the entire issued capital of Bravado. For the reasons mentioned above, through his deemed interest in Lippo Capital, Dr. Stephen Riady was also taken to be interested in 61,927,335 ordinary shares in Auric. Accordingly, Dr. Stephen Riady was interested and taken to be interested in an aggregate of 89,420,646 ordinary shares in, representing approximately 71.16 per cent. of the issued shares of, Auric.

As at 31st March, 2014, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares in, representing approximately 9.29 per cent. of, the issued shares of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 31st March, 2014, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st March, 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 31st March, 2014, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st March, 2014, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

## Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of interests in the issued shares
Substantial shareholders:	1 101 517 040	EC 10
Hennessy Holdings Limited ("Hennessy")	1,121,517,842	56.12
Prime Success Limited ("Prime Success")	1,121,517,842	56.12
Lippo Limited ("Lippo")	1,121,517,842	56.12
Lippo Capital Limited ("Lippo Capital")	1,121,517,842	56.12
Lanius Limited ("Lanius")	1,121,517,842	56.12
Dr. Mochtar Riady	1,121,517,842	56.12
Madam Lidya Suryawaty	1,121,517,842	56.12
Other persons:		
, Farallon Capital Management, L.L.C. ("Farallon")	180,002,650	9.00
Nordex Inc. ("Nordex")	156,460,000	8.01
Gelco Enterprises Ltd ("Gelco")	156,460,000	8.01
Power Corporation of Canada ("PCC")	156,460,000	8.01
Power Financial Corporation ("PFC")	156,460,000	8.01
IGM Financial Inc. ("IGM")	156,460,000	8.01
Paul G. Desmarais (deceased)	163,500,000	8.18
Jacqueline Desmarais	163,500,000	8.18
Paul Desmarais Jr.	163,500,000	8.18
André Desmarais	163,500,000	8.18
Michel Plessis-Bélair	163,500,000	8.18
Guy Fortin	163,500,000	8.18

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (continued) Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares of the Company (continued) Note:

- 1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,121,517,842 ordinary shares of HK\$1.00 each in, representing approximately 56.12 per cent. of the issued shares of, the Company.
- 2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.
- 3. Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 64.75 per cent. of the issued shares of Lippo.
- 4. Lanius is the holder of the entire issued shares of Lippo Capital and is the trustee of a discretionary trust which was founded by Dr. Mochtar Riady, who does not have any interest in the issued shares of Lanius. Dr. Mochtar Riady and his wife Madam Lidya Suryawaty were taken to be interested in Lippo Capital under the provisions of the SFO.
- 5. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty. The above 1,121,517,842 ordinary shares in the Company related to the same block of shares that Dr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Dr. Mochtar Riady, his wife Madam Lidya Suryawaty and Dr. Stephen Riady were taken to be interested in the shares of the Company under the provisions of the SFO.
- 6. Farallon, through the entities and accounts managed by it as investment adviser (both directly and through its wholly-owned subsidiary Farallon Capital Asia Pte. Ltd. (formerly known as Noonday Asset Management Pte. Ltd.)), namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital (AM) Investors, L.P., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C., Noonday Offshore, Inc. and Farallon Capital AA Investors, L.P., was indirectly interested in an aggregate of 180,002,650 ordinary shares of HK\$1.00 each in, representing approximately 9.00 per cent. of the issued shares of, the Company.
- 7. Mackenzie Financial Corporation in its capacity as trustee and portfolio manager for certain mutual fund trusts, through its whollyowned subsidiary Mackenzie Financial Capital Corporation which is a mutual fund corporation for which it acts as portfolio manager and through certain Bermuda-based mutual funds for which another wholly-owned subsidiary Mackenzie Cundill Investment Management (Bermuda) Limited acts as manager and for which it acts as sub-adviser, was directly interested in an aggregate of 156,460,000 ordinary shares of HK\$1.00 each in, representing approximately 8.01 per cent. of the then issued shares of, the Company. Mr. Paul G. Desmarais as controlling shareholder and Nordex, Gelco, PCC, PFC and IGM as intermediate holding companies to Mackenzie Financial Corporation, each had an indirect interest in the above 156,460,000 ordinary shares of the Company.

A disclosure form was filed with the Company notifying that Mr. Paul G. Desmarais had passed away on 8th October, 2013. The estate of Mr. Paul G. Desmarais (which include the indirect interest in the Company) were transferred upon his death to a nondiscretionary trust, known as the "Desmarais Family Residuary Trust" (the "Trust"). Jacqueline Desmarais, Paul Desmarais Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin as trustees of the Trust had reported an indirect interest in an aggregate of 163,500,000 ordinary shares of HK\$1.00 each in, representing approximately 8.18 per cent. of the issued shares of, the Company as at 8th October, 2013.

8. The percentages of interests of "other persons" in the issued shares stated in this section are based on the respective disclosure forms filed with the Company.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st March, 2014, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

The Lippo Group (a general reference to the companies in which Dr. Stephen Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31st March, 2014, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

Other than the independent non-executive Directors, Dr. Stephen Riady and Messrs. John Lee Luen Wai and Leon Chan Nim Leung are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

The Directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Company's Byelaws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed herein, during the Year and up to the date of this report, none of the Directors are considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed under the Listing Rules.

#### CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are as follows:

(A) On 7th September, 2012, a tenancy agreement was entered into between the Company and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to the Company of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of approximately 4,686 square feet for a term of two years from 16th September, 2012 to 15th September, 2014, both days inclusive, at a monthly rental of HK\$223,050 (equivalent to HK\$2,676,600 per annum), exclusive of rates, service charges and all other outgoings or HK\$248,405 (equivalent to HK\$2,980,860 per annum), inclusive of an initial monthly service charge of HK\$25,355, for office use. The service charge of HK\$25,355 per calendar month (subject to adjustment) payable by the Company to Porbandar shall be applied by Porbandar in payment of applicable service charges of the manager of the building relating to the above property provided that such service charge may not exceed HK\$35,000 per calendar month unless agreed by both parties in writing (the "Maximum Service Charge"). The maximum aggregate rental, inclusive of the Maximum Service Charge, was HK\$3,096,600 for the Year. The rental was determined by reference to the then prevailing open market rentals.

Further details of the above tenancy are disclosed in Note 38(a) to the financial statements.

#### **CONTINUING CONNECTED TRANSACTIONS** (continued)

- (B) On 30th August, 2013, service agreements were entered into between Lippo Securities Holdings Limited ("Lippo Securities"), a wholly-owned subsidiary of the Company, and:
  - (1) Lippo Capital Limited ("Lippo Capital") for itself and its subsidiaries (other than Lippo Limited ("Lippo"), Lippo China Resources Limited ("LCR"), the Company and their respective subsidiaries);
  - (2) Lippo for itself and its subsidiaries (other than LCR, the Company and their respective subsidiaries); and
  - (3) LCR for itself and its subsidiaries.

Both Lippo Capital and Lippo are indirect controlling shareholders of the Company. LCR is a fellow subsidiary of the Company.

Pursuant to the above service agreements, Lippo Securities agreed to provide securities and futures broking and trading services, corporate finance, securities investment, treasury investment, and other incidental financial services (the "Services") to each of Lippo Capital, Lippo and LCR and their respective subsidiaries in making securities and futures investments through their respective trading accounts opened and/or maintained with Lippo Securities Limited ("LSL") and Lippo Futures Limited ("Lippo Futures"), both of which are wholly-owned subsidiaries of Lippo Securities. The term of each of the above service agreements commenced from 1st April, 2013 to 31st March, 2016 with trading commissions, brokerage service fees, collection fees and/or other incidental fees ("Fees") paid and payable to Lippo Securities and its subsidiaries, including, inter alia, LSL and Lippo Futures ("Lippo Securities Group") in respect of the Services provided by LSL and/or Lippo Futures (as the case may be), based on the fees received from relevant market customers of comparable standing and in the ordinary course of business of Lippo Securities Group. The rate of commissions and/or brokerage services fees payable to Lippo Securities Group for each securities or futures transaction (as the case may be) is charged based on the size of each trade, whilst that for each futures transaction is fixed at a specified rate, both on terms no more favourable to the relevant connected persons than those offered to or available from independent third parties. Such rates of Fees are charged at market rates comparable to that of other securities service providers in Hong Kong. The maximum aggregate service fees for the Year under the service agreements between Lippo Securities and each of Lippo Capital, Lippo and LCR were HK\$400,000, HK\$2,200,000 and HK\$4,000,000 respectively.

Further details of the above transactions are disclosed in Note 38(c) to the financial statements.

The Directors of the Company are of the view that the terms of each of the above agreements are determined on fair and reasonable basis and in accordance with normal commercial terms and that such transactions are in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

## Report of the Directors (continued,

#### **CONTINUING CONNECTED TRANSACTIONS** (continued)

The independent non-executive Directors have confirmed that the above transactions had been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the above agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Messrs. Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with rule 14A.38 of the Listing Rules, Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Company has complied with all the reporting, announcement and other requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions disclosed herein.

#### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 38 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the Year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

#### MANAGEMENT CONTRACTS

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

#### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

#### MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers combined accounted for 42 per cent. of the Group's turnover for the Year and the largest customer included therein amounted to 28 per cent. Purchases from the Group's five largest suppliers combined accounted for 76 per cent. of the total purchases for the Year and purchases from the largest supplier included therein amounted to 70 per cent.

None of the Directors of the Company, their associates, or any shareholder (which to the knowledge of the Directors own more than 5 per cent. of the Company's issued share capital) had any interest in the Group's five largest suppliers or customers.

#### **RETIREMENT BENEFITS SCHEME**

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the consolidated statement of profit or loss for the Year are set out in Notes 2.4(v) and 6 to the financial statements, respectively.

#### **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 10 to 18.

#### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### **AUDITORS**

The financial statements for the Year were audited by Messrs. Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board John Lee Luen Wai Chief Executive Officer

Hong Kong, 27th June, 2014

# **Independent Auditors' Report**



#### To the shareholders of Hongkong Chinese Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 128, which comprise the consolidated and company statements of financial position as at 31st March, 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

#### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young** *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue Central, Hong Kong

Hong Kong, 27th June, 2014
# **Consolidated Statement of Profit or Loss**

For the year ended 31st March, 2014

	Note	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)
<b>Revenue</b> Cost of sales	5	3,969,891 (2,108,669)	133,992 (19,601)
<b>Gross profit</b> Administrative expenses Other operating expenses Net fair value gains on investment properties Gain on disposal of fixed assets Write-back of allowance for bad and doubtful debts Finance costs Share of results of associates Share of results of joint ventures	9 10	1,861,222 (86,079) (150,623) 8,447 – 3,883 (1,344) 34,680 (346,068)	114,391 (131,322) (93,857) 26,351 8,822 5,328 (19,861) 131,452 (282,041)
<b>Profit/(Loss) before tax</b> Income tax	6 11	1,324,118 (821,147)	(240,737) 22,467
Profit/(Loss) for the year/period		502,971	(218,270)
Attributable to: Equity holders of the Company Non-controlling interests	12	313,577 189,394	(209,464) (8,806)
		502,971	(218,270)
		HK cents	HK cents
Earnings/(Loss) per share attributable to equity holders of the Company Basic	13	15.7	(10.5)
Diluted		N/A	(10.5)

Details of the distributions payable and proposed for the year/period are disclosed in Note 14 to the financial statements.

# **Consolidated Statement of Comprehensive Income**

For the year ended 31st March, 2014

Note	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)
Profit/(Loss) for the year/period	502,971	(218,270)
Other comprehensive income/(loss) Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect	(5,436) 323 2,428	5,363 1,632 (1,635)
	(2,685)	5,360
<ul> <li>Share of other comprehensive income/(loss) of joint ventures:</li> <li>Share of changes in fair value of available-for-sale financial assets</li> <li>Share of effective portion of changes in fair value of cash flow hedges</li> <li>Share of exchange differences on translation of foreign operations</li> </ul>	99,159 (3,242) (125,080)	105,638 4,336 298,599
	(29,163)	408,573
Exchange differences on translation of foreign operations Adjustment relating to disposal of foreign subsidiaries 34	(8,902) (1,234)	15,110
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(41,984)	429,043
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods: Surplus on revaluation of leasehold land and buildings Income tax effect	-	8,885 (1,066)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	7,819
Other comprehensive income/(loss) for the year/period, net of tax	(41,984)	436,862
Total comprehensive income for the year/period	460,987	218,592
Attributable to: Equity holders of the Company Non-controlling interests	270,406 190,581	225,831 (7,239)
	460,987	218,592

# **Consolidated Statement of Financial Position**

As at 31st March, 2014

Note	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000 (Restated)	1st January, 2012 HK\$'000 (Restated)
Non-current assetsGoodwill15Fixed assets16Investment properties17Interests in associates18Interests in joint ventures19Held-to-maturity financial assets20Loans and advances21	71,485 16,915 219,917 506,968 7,978,964  104,245 91,151	71,485 15,729 210,172 693,182 8,260,368 – 106,370 65,321	71,485 137,169 171,408 543,673 8,357,712 27,265 46,304 41,541
	8,989,645	9,422,627	9,396,557
Current assetsProperties held for saleProperties under development22Loans and advances21Debtors, prepayments and deposits23Available-for-sale financial assets20Financial assets at fair value throughprofit or loss24Tax recoverableClient trust bank balancesRestricted cash25	173,087 633,422 276,447 167,022 3,753 123,474 518 311,353 174,303	9,005 2,410,402 267,160 365,939 - 69,027 - 356,002 1,054,374	8,545 1,465,655 199,578 117,323 - 92,442 - 550,716 466,295
Treasury bills Cash and bank balances	33,950 2,289,239	9,700	-
	4,186,568	783,500 5,325,109	427,139 3,327,693
Current liabilities26Bank and other borrowings26Creditors, accruals and deposits received27Current, fixed, savings and other deposits28	308,387 1,177,804	286,915 3,585,440 266,786	378,999 1,443,686 120,225
Tax payable	332,180 611,570	200,780 2,445	33,649
	2,429,941	4,141,586	1,976,559
Net current assets	1,756,627	1,183,523	1,351,134
Total assets less current liabilities	10,746,272	10,606,150	10,747,691

# Consolidated Statement of Financial Position (continued)

As at 31st March, 2014	it 31st March, 2	514
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	Note	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000 (Restated)	1st January, 2012 HK\$'000 (Restated)
<b>Non-current liabilities</b> Bank and other borrowings	26	_	222,582	699,057
Deferred tax liabilities	29	106,724	45,174	35,808
		106,724	267,756	734,865
Net assets		10,639,548	10,338,394	10,012,826
<b>Equity</b> Equity attributable to equity holders of the Company Issued capital	30	1,998,280	1,998,280	2,003,215
Reserves	30	8,393,235	8,278,346	7,920,458
Non-controlling interests		10,391,515 248,033	10,276,626 61,768	9,923,673 89,153
		10,639,548	10,338,394	10,012,826

Stephen Riady Director John Lee Luen Wai Director

# **Statement of Financial Position**

As at 31st March, 2014

	Note	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Non-current assets	10	2.447	2 4 2 2
Fixed assets Interests in subsidiaries Available-for-sale financial assets	16 33 20	3,447 3,075,467 3,075	2,133 2,973,478 3,075
		3,081,989	2,978,686
Current assets			
Debtors, prepayments and deposits Financial assets at fair value through profit or loss	23 24	1,250 4,935	1,534 6,063
Cash and bank balances	24	4,955 8,351	175,029
		14,536	182,626
Current liabilities			
Creditors, accruals and deposits received	27	7,037	7,711
Net current assets		7,499	174,915
Net assets		3,089,488	3,153,601
Equity			
Issued capital	30	1,998,280	1,998,280
Reserves	32	1,091,208	1,155,321
		3,089,488	3,153,601

Stephen Riady Director John Lee Luen Wai Director

# Consolidated Statement of Changes in Equity For the year ended 31st March, 2014

					Attributa	ble to equity h	olders of the O	Company						
	lssued capital	Share premium	Share option	Capital redemption	Legal	Regulatory	Investment revaluation	Other asset revaluation	Hedging	Exchange equalisation		Total	Non- controlling	Total
	Capitai	account	reserve	reserve (Note 32(d))	reserve (Note 32(e))	reserve (Note 32(f))	reserve	reserve	reserve (Note 32(g))	reserve	reserves (Note 32(b))	TOLA	interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2013	1,998,280	92,775	_	22,144	7,854	2,691	336,919	36,074	_	1,085,962	6,693,927	10,276,626	61,768	10,338,394
Profit for the year	-	-	-	-	-	-	-	-	-	-	313,577	313,577	189,394	502,971
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	-	-	-	-	-	-	(5,436) 323	-	-	-	-	(5,436) 323	-	(5,436) 323
Adjustments for disposal Income tax effect	-	-	-	-	-	-	2,428	-	_	-	-	2,428	-	2,428
Share of other comprehensive income/(loss)							2,420					2,420		2,420
of joint ventures	-	-	-	-	-	-	99,159	-	(3,242)	(125,080)	-	(29,163)	-	(29,163)
Exchange differences on translation of														
foreign operations	-	-	-	-	-	-	-	-	-	(10,089)		(10,089)	1,187	(8,902)
Adjustments relating to disposal of foreign subsidiaries	-	-	-	-	-	-	-	-	-	(1,234)	-	(1,234)	-	(1,234)
Total comprehensive income/(loss) for the year							96,474		(3,242)	(136,403)	313,577	270,406	190,581	460,987
Share of equity movements arising on equity transactions	-	-	-	-	-	-	50,474		(3,242)	(130,403)	,,,,,,,	270,400	150,501	400,567
of joint ventures	-	-	-	-	-	-	-	-	-	-	(75,585)	(75,585)	-	(75,585)
Repayment to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,316)	(4,316)
Transfer of reserve	-	-	-	-	1,986	-	-	-	-	-	(1,986)	-	-	-
2012/2013 final distribution declared and paid to											(20.000)	(20.000)		(20.000)
shareholders of the Company 2013/2014 interim distribution declared and paid to	-	-	-	-	-	-	-	-	-	-	(39,966)	(39,966)	-	(39,966)
shareholders of the Company	-	-	-	-	-	-	-	-	-	-	(39,966)	(39,966)	-	(39,966)
At 31st March, 2014	1,998,280	92,775	-	22,144	9,840	2,691	433,393	36,074	(3,242)	949,559	6,850,001	10,391,515	248,033	10,639,548
			-											_
At 31st March, 2014 At 1st January, 2012 Loss for the period	<b>1,998,280</b> 2,003,215 –	<b>92,775</b> 90,667	- 7,219 -	<b>22,144</b> 13,328	<b>9,840</b> 7,534	<b>2,691</b> 891	<b>433,393</b> 225,921	<b>36,074</b> 28,255	<b>(3,242)</b> (4,336)	<b>949,559</b> 773,820	6,850,001 6,777,159 (209,464)	<b>10,391,515</b> 9,923,673 (209,464)	<b>248,033</b> 89,153 (8,806)	<b>10,639,548</b> 10,012,826 (218,270)
At 1st January, 2012 Loss for the period Other comprehensive income/(Joss) for the period:			- 7,219 -								6,777,159	9,923,673	89,153	10,012,826
At 1st January, 2012 Loss for the period Other comprehensive income(loss) for the period: Available-for-sale financial assets:			- 7,219 -				225,921				6,777,159	9,923,673 (209,464)	89,153	10,012,826 (218,270)
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value			- 7,219 -				225,921 -				6,777,159 (209,464) _	9,923,673 (209,464) 5,363	89,153 (8,806) –	10,012,826 (218,270) 5,363
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal			7,219 - -				225,921 - 5,363 1,632				6,777,159	9,923,673 (209,464) 5,363 1,632	89,153	10,012,826 (218,270) 5,363 1,632
At 1st January, 2012 Loss for the period Other comprehensive income/[loss] for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect			- 7,219 - - - -				225,921 - 5,363 1,632 (1,635)		(4,336) 	773,820 - - - -	6,777,159 (209,464) – –	9,923,673 (209,464) 5,363 1,632 (1,635)	89,153 (8,806) – –	10,012,826 (218,270) 5,363 1,632 (1,635)
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal	2,003,215 _ _ _ _ _ _		7,219 - - - - -			891 - - -	225,921 - 5,363 1,632	28,255 - - - -			6,777,159 (209,464) - - -	9,923,673 (209,464) 5,363 1,632	89,153 (8,806) - - -	10,012,826 (218,270) 5,363 1,632
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures	2,003,215 _ _ _ _ _ _		7,219			891 - - -	225,921 - 5,363 1,632 (1,635)	28,255 - - - - -	(4,336) 	773,820 - - - 298,599	6,777,159 (209,464) - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573	89,153 (8,806) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573
At 1st January, 2012 Loss for the period Other comprehensive income(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of	2,003,215 _ _ _ _ _ _		7,219			891 - - -	225,921 - 5,363 1,632 (1,635)	28,255 - - - - - -	(4,336) 	773,820 - - - 298,599	6,777,159 (209,464) - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543	89,153 (8,806) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings	2,003,215 _ _ _ _ _ _		7,219 - - - - - - - - - - - - - -			891 - - -	225,921 - 5,363 1,632 (1,635)	28,255 - - - - - -	(4,336) 	773,820 - - - 298,599	6,777,159 (209,464) - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543	89,153 (8,806) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110
At 1st January, 2012 Loss for the period Other comprehensive income(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings	2,003,215 _ _ _ _ _ _					891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - - - - - - - 8,885 (1,066)	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066)	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066)
At 1st January, 2012 Loss for the period Other comprehensive income(lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of Leasehold land and buildings Total comprehensive income(lloss) for the period	2,003,215 - - - - - - - - - -			13,328 - - - - - - - - - - - - - - -		891 - - -	225,921 - 5,363 1,632 (1,635)	28,255 - - - - - - - - - - - 8,885	(4,336) 	773,820 - - - 298,599	6,777,159 (209,464) - - - - - - - - - - - - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831	89,153 (8,806) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592
At 1st January, 2012 Loss for the period Other comprehensive income/lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income/lloss) for the period Repurchases of shares	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -				891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794)	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794)
At 1st January, 2012 Loss for the period Other comprehensive income(lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of Leasehold land and buildings Total comprehensive income(lloss) for the period	2,003,215 - - - - - - - - - -		- 7,219 - - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - -		891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - - - - - - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592
At 1st January, 2012 Loss for the period Other comprehensive income/[loss] for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income/[loss] for the period Repurchases of shares Issuance of shares upon exercise of share options	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -		13,328 - - - - - - - - - - - - - - -		891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - - - - - - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794)	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794)
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income/(loss) for the period Repurchases of shares Issuance of shares upon exercise of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - -		891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464)      (209,464) (10,794) - 5,880	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794) 4,650	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 -
At 1st January, 2012 Loss for the period Other comprehensive income(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income(loss) for the period Repurchases of shares Issuance of shares upon exercise of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions of joint ventures	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - - - -	7,534 - - - - - - - - - - - - - - - - - - -	891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - (209,464) (10,794) - 5,880 193,254	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794)	89,153 (8,806) - - 1,567 - - (7,239) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 - 193,254
At 1st January, 2012 Loss for the period Other comprehensive income(lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of Leasehold land and buildings Total comprehensive income(lloss) for the period Repurchases of shares Issuance of shares of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions of joint ventures Repayment to non-controlling shareholders of subsidiaries	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - - - -	7,534	891 - - - - - - - - - - - - - - - - - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - - - - - - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794) 4,650	89,153 (8,806) - - - 1,567 - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 -
At 1st January, 2012 Loss for the period Other comprehensive income/(loss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income/(loss) for the period Repurchases of shares Issuance of shares upon exercise of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions of joint ventures Repayment to non-controlling shareholders of subsidiaries Transfer of reserve	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - - - -	7,534 - - - - - - - - - - - - - - - - - - -	891 - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - (209,464) (10,794) - 5,880 193,254	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794) 4,650	89,153 (8,806) - - 1,567 - - (7,239) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 - 193,254
At 1st January, 2012 Loss for the period Other comprehensive income(lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of Leasehold land and buildings Total comprehensive income(lloss) for the period Repurchases of shares Issuance of shares of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions of joint ventures Repayment to non-controlling shareholders of subsidiaries	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - - - -	7,534	891 - - - - - - - - - - - - - - - - - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464) - - - - - - - - - - - - - - - - - - -	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794) 4,650	89,153 (8,806) - - - 1,567 - - (7,239) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 - 193,254
At 1st January, 2012 Loss for the period Other comprehensive income/lloss) for the period: Available-for-sale financial assets: Changes in fair value Adjustments for disposal Income tax effect Share of other comprehensive income of joint ventures Exchange differences on translation of foreign operations Surplus on revaluation of leasehold land and buildings Income tax effect on surplus on revaluation of leasehold land and buildings Total comprehensive income/lloss) for the period Repurchases of shares Issuance of shares upon exercise of share options Transfer of share option reserve upon expiry of share options Share of equity movements arising on equity transactions of joint ventures Repayment to on-controlling shareholders of subsidiaries Transfer of reserve 2011 final and special final distributions declared and	2,003,215 - - - - - - - - - (8,816)	90,667 - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	13,328 - - - - - - - - - - - - - - - - -	7,534 - - - - - - - - - - - - - - - - - - -	891 - - - - - - - - - - - - - - - - - - -	225,921 - 5,363 1,632 (1,635) 105,638 - - -	28,255 - - - 8,885 (1,066) 7,819	(4,336) - - - 4,336 - - - -	773,820 - - - 298,599 13,543 - -	6,777,159 (209,464)     (209,464) (10,794)  5,880 193,254  (2,120)	9,923,673 (209,464) 5,363 1,632 (1,635) 408,573 13,543 8,885 (1,066) 225,831 (10,794) 4,650 - 193,254 - -	89,153 (8,806) - - - 1,567 - - (7,239) - - - -	10,012,826 (218,270) 5,363 1,632 (1,635) 408,573 15,110 8,885 (1,066) 218,592 (10,794) 4,650 - 193,254 (20,146) -

# **Consolidated Statement of Cash Flows**

For the year ended 31st March, 2014

Note	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)
Cash flows from operating activitiesCash generated from operations34Interest received34	1,752,251 44,604	489,812 35,064
Dividends received from: Listed and unlisted investments Joint ventures Taxes refunded/(paid):	6,036 50,875	4,919 3,165
Hong Kong Overseas	141 (58,602)	(485) (1,802)
Net cash flows from operating activities	1,795,305	530,673
Cash flows from investing activities Proceeds from disposal of: Fixed assets Held-to-maturity financial assets Available-for-sale financial assets Payments to acquire: Fixed assets Held-to-maturity financial assets Available-for-sale financial assets Additions to investment properties Repayment from/(Advances to) associates Repayment from/(Advances to) joint ventures Disposal of subsidiaries, net of cash and cash equivalents disposed of Increase in time deposits with original maturity of more than three months	- 15,869 (4,399) - (20,779) (8) 212,693 (261,406) (3,394) (719,660)	136,779 17,686 8,457 (13,850) (18,418) (35,741) – 354,329 – (200,988)
Net cash flows from/(used in) investing activities	(781,084)	248,254
Cash flows from financing activities Interest paid Drawdown of bank and other borrowings ( <i>Note</i> ) Repayment of bank and other borrowings ( <i>Note</i> ) Issuance of shares upon exercise of share options Repurchase of shares Repayment to non-controlling shareholders of subsidiaries Distributions paid to shareholders of the Company Decrease/(Increase) in pledged bank deposits	(596) 310,991 (517,354) – (4,316) (79,932) 82,058	(29,262) 499,241 (992,085) 4,650 (10,794) (20,146) (59,988) (6,509)
Net cash flows used in financing activities	(209,149)	(614,893)

# Consolidated Statement of Cash Flows (continued)

For the year ended 31st March, 2014

	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of year/period Exchange realignments	805,072 592,212 1,629	164,034 427,139 1,039
Cash and cash equivalents at end of year/period	1,398,913	592,212
<b>Analysis of balances of cash and cash equivalents:</b> Cash and bank balances Treasury bills Time deposits with original maturity of more than three months	2,289,239 33,950 (924,276)	783,500 9,700 (200,988)
	1,398,913	592,212

*Note*: The amounts exclude bank loans drawn down by the Group for lending to its margin clients in respect of the initial public offerings. All such bank loans were fully repaid during the year/period.

# 1. CORPORATE INFORMATION

Hongkong Chinese Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The immediate holding company of the Company is Hennessy Holdings Limited which is incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Capital Limited ("Lippo Capital") which is incorporated in the Cayman Islands.

#### 2.1 BASIS OF PREPARATION

# Change of financial year end date

Pursuant to a resolution of the Board of Directors passed on 28th December, 2012, the Company's financial year end date was changed from 31st December to 31st March. Accordingly, the current financial statements which cover a twelve-month period from 1st April, 2013 to 31st March, 2014 (the "year ended 31st March, 2014") may not be comparable with the comparative figures which cover a fifteen-month period from 1st January, 2012 to 31st March, 2013 (the "period ended 31st March, 2013").

#### **Statement of compliance**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March, 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All significant 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.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

# 2.1 BASIS OF PREPARATION (continued)

#### **Basis of consolidation** (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or distributable reserves, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures</i>
TIKING 7 Amenuments	— Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12
HKFRS 12 Amendments	— Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements
	— Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements	Amendments to a number of HKERSs issued in June 2012
	Amenaments to a number of fixings issued in june 2012
2009–2011 Cycle	

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

# 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The application of HKFRS 10 affects the accounting for the Group's interest in Lippo ASM Asia Property LP ("LAAP").

LAAP was a limited partnership of which a subsidiary of the Group was a limited partner since 2005. LAAP was regarded as an associate of the Group and was accounted for using the equity method of accounting. Having considered the new definition of control and the additional guidance on the principal-agency relationship set out in HKFRS 10, the Group has determined that its interest held would be sufficient to give it control over LAAP since 2005 under HKFRS 10. Upon the adoption of HKFRS 10, LAAP has been treated as a subsidiary of the Group and consolidated as if HKFRS 10 had always been effective.

Upon the adoption of HKFRS 10 on 1st April, 2013, retrospective adjustments have been made to the previous accounting as if HKFRS 10 had always been effective. The opening balances as at 1st January, 2012 and comparative information for the period ended 31st March, 2013 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

	Period ended 31st March, 2013 HK\$'000
Consolidated statement of profit or loss	
Increase in revenue	3
Increase in administrative expenses	(883)
Increase in other operating expenses	(5,633)
Increase in finance costs	(15,186)
Increase in share of results of associates	271,560
Decrease in share of results of joint ventures	(281,689)
Decrease in income tax	31,828
Consolidated statement of comprehensive income	
Decrease in share of other comprehensive income of associates	(408,573)
Increase in share of other comprehensive income of joint ventures	408,573

The adoption of HKFRS 10 did not have any impact on the loss per share attributable to equity holders of the Company and the loss and other comprehensive income for the period ended 31st March, 2013.

	31st March, 2013 HK\$'000	1st January 2012 HK\$'000
Consolidated statement of financial position Decrease in interests in associates Increase in interests in joint ventures Increase in cash and bank balances Increase in bank and other borrowings Increase in creditors, accruals and deposits received Increase in tax payable	(8,245,354) 8,244,656 1,852 – (1,154) –	(7,837,681) 8,172,099 20,631 (311,650) (11,571) (31,828)

The above changes have had no effect on the net assets, non-controlling interests and equity of the Group.

	Period ended 31st March, 2013 HK\$'000
Consolidated statement of cash flows	
Decrease in net cash flow from operating activities	(6,370)
Increase in net cash flow from investing activities	247,649
Increase in net cash flow used in financing activities	(260,058)
Net decrease in cash and cash equivalents	(18,779)
Increase in cash and cash equivalents at the beginning of period	20,631

# 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint operation. A joint venture is a joint arrangement whereby the joint operation and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's interests in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the application of HKFRS 11 does not change the classification of the Group's interests in joint ventures.

HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in Notes 33, 19 and 18, respectively, to the financial statements.

The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

# 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in Notes 17 and 40, respectively, to the financial statements.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

# 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	Financial Instruments 5
HKFRS 9, HKFRS 7 and	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and
HKAS 39 Amendments	HKAS 39 <sup>5</sup>
HKFRS 10, HKFRS 12 and	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)
HKAS 27 (2011) Amendments	— Investment Entities <sup>1</sup>
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC)-Int 21	Levies 1
Annual Improvements 2010–2012 and 2011–2013 Cycles	Amendments to a number of HKFRSs issued is January 2014 $^{\scriptscriptstyle 2}$

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2014

- <sup>2</sup> Effective for annual periods beginning on or after 1st July, 2014
- <sup>3</sup> Effective for annual periods beginning on or after 1st January, 2016
- <sup>4</sup> Effective for the first annual HKFRS financial statements for the period beginning on or after 1st January, 2016
- <sup>5</sup> No mandatory effective date yet determined but is available for adoption

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS** (continued) Further information about those HKFRSs that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

#### (b) Interests in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20 per cent. of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

#### (b) Interests in associates and joint ventures (continued)

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

#### (c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

#### (c) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the CGU retained.

## (d) Fair value measurement

The Group measures its investment properties and certain financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### (d) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### (e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, properties held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### (f) Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

#### or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### (g) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

#### (g) Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases and buildings
Leasehold improvements
Furniture, fixtures and equipment
Motor vehicles

Over the remaining lease terms Over the unexpired terms of the leases 10 per cent. to  $33^{1/3}$  per cent. 20 per cent. to 25 per cent.

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of fixed assets including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### (h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. When fair value is not reliably determinable for the properties under development, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Fixed assets and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the other asset revaluation reserve. On disposal of the asset, the relevant portion of the other asset revaluation reserve realised in respect of previous valuations is transferred to the distributable reserves as a movement in reserves.

#### (i) **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the statement of profit or loss on the straight leases are charged to the statement of profit or loss on the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

#### (j) Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets at fair value through profit or loss which are under regular way of purchases or sales are recognised on the trade date, that is, the date the Group commits to purchase or sell the asset. All regular way purchases or sales of loans and receivables and available-for-sale financial assets are recognised on the settlement date, that is, the date the asset is received or delivered by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(j) Investments and other financial assets (continued)

Subsequent measurement (continued)

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities, debt securities and investment funds. Equity investments and investment funds classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the financial assets are derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the financial assets are determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities, debt securities and investment funds cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that financial asset, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities and funds are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

#### (k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### (I) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

#### (I) Impairment of financial assets (continued)

#### Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

#### Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

# (m) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include bank and other borrowings, creditors, accruals and deposits received and current, fixed, savings and other deposits of customers.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

#### (n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### (o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (p) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

## (q) Properties under development

Properties under development intended for sale are classified as current assets and stated at the lower of cost and net realisable value. Properties being constructed or developed as investment properties are classified as investment properties and accounted for in accordance with the policy stated under "Investment properties". Other properties under development are stated at cost less any impairment losses. Costs comprise the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### (r) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks, demand deposits, treasury bills, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand, cash at banks and demand deposits which are not restricted as to use.

#### (s) **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

#### (s) **Provisions** (continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

# (t) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

#### (t) Income tax (continued)

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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following bases:

- (i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;
- (ii) income from the sale of properties, on the exchange of legally binding unconditional sales contracts or when the relevant completion certificates are issued by the respective government authorities, whichever is later;
- (iii) dealings in securities and sale of investments, on the transaction dates when the relevant contract notes are exchanged or the settlement dates when the securities are delivered;
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instruments to the net carrying amount of the financial assets;
- (v) dividend income, when the shareholders' right to receive payment has been established;
- (vi) commission income, in the period when receivable, unless it is charged to cover the costs of a continuing service to, or risk borne for, customers, or is interest income in nature. In this case, commission income is recognised on a pro rata basis over the relevant period; and
- (vii) investment advisory, management and service fee income, when the services have been rendered.

# (v) Employee benefits

# Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward at the end of each reporting period.

#### Retirement benefits

The Group operates defined contribution Mandatory Provident Fund retirement benefit schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made to the central pension scheme based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Share-based payments

The Company operates share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an adjusted Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

#### (v) Employee benefits (continued)

#### Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

# (w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### (x) Dividends and distributions

Final dividends and distributions proposed by the Directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends and distributions have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends and distributions are simultaneously proposed and declared because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

#### (y) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the statement of profit or loss is also recognised in other comprehensive income or the statement of profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows or at an approximation thereto, the weighted average exchange rates for the year. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### (a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

#### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### (b) Estimation uncertainty

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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

# 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### (b) Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in Note 17 to the financial statements.

#### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As disclosed in Note 15 to the financial statements, the Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill arising from acquisition of a subsidiary at 31st March, 2014 was HK\$71,485,000 (31st March, 2013 — HK\$71,485,000).

#### Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. No impairment loss was provided for available-for-sale financial assets during the year (period ended 31st March, 2013 — HK\$90,000). The carrying amount of available-for-sale financial assets as at 31st March, 2014 was HK\$107,998,000 (31st March, 2013 — HK\$106,370,000).

#### 4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

- (a) the property investment segment includes letting and resale of properties;
- (b) the property development segment includes development and sale of properties;
- (c) the treasury investment segment includes investments in money markets;
- (d) the securities investment segment includes dealings in securities and financial assets available-for sale;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the banking business segment engages in the provision of commercial and retail banking services;
- (g) the project management segment engages in the provision of project management, marketing, sales and administrative and other related services; and
- (h) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that corporate expenses and finance costs unallocated are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and other head office and corporate assets which are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other head office and corporate liabilities which are managed on a group basis.

Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties.

# 4. SEGMENT INFORMATION (continued) Year ended 31st March, 2014

	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b> External Inter-segment	13,103 -	3,844,180 -	31,369 -	15,456 -	30,175 -	19,344 -	4,901 297	11,363 3,567	- (3,864)	3,969,891 -
Total	13,103	3,844,180	31,369	15,456	30,175	19,344	5,198	14,930	(3,864)	3,969,891
Segment results	13,952	1,642,230	31,249	9,523	(6,289)	1,848	(10,037)	4,552	(1,816)	1,685,212
Unallocated corporate expenses Finance costs Share of results of associates Share of results of joint ventures	- (527,017)	34,759 180,949	- -	- -	-	-	-	(79) -	-	(48,473) (1,233) 34,680 (346,068)
Profit before tax Segment assets Interests in associates Interests in joint ventures	239,028 7,841 7,854,617	1,052,542 498,934 124,347	2,268,204 _ _	231,472 - -	417,333 - -	446,050 - -	- -	21,215 193 -	- -	1,324,118 4,675,844 506,968 7,978,964
Unallocated assets Total assets Segment liabilities	2,962	795,022	_	_	361,316	336,027	_	4,544	_	14,437 13,176,213 1,499,871
Unallocated liabilities	2,302	155,022			1010	556,627		****		1,036,794 2,536,665
Other segment information: Capital expenditure* Depreciation Interest income Finance costs Loss on disposal of subsidiaries Write-back of provision/(Provisions) for	486 (2) - -	47 (326) - - -	- 31,369 - -	- 5,295 - -	173 (410) - (111) -	1,622 (1,233) 17,032 – –	232 (53) - (3,548)	- (55) 5,789 - -	- - -	2,560 (2,079) 59,485 (111) (3,548)
impairment losses: An associate A joint venture Properties held for sale Write-back of allowance/(Allowance) for bad and doubtful debts relating to:	- - 1,086	- (14,645) -	- -	- -	(778) - -	- -	- -	- -	- -	(778) (14,645) 1,086
Banking operation Non-banking operations Net fair value loss on financial assets at	-	-	-	-	- 4,059	(176) -	-	-	-	(176) 4,059
fair value through profit or loss Net fair value gains on investment properties	- 8,447	-	-	(1,181) -	-	-	-	-	-	(1,181) 8,447
Unallocated: Capital expenditure* Depreciation Finance costs										1,847 (811) (1,233)

# 4. SEGMENT INFORMATION (continued)

Period ended 31st March, 2013 (restated)

	Property investment HK\$'000	Property development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b> External Inter-segment	16,626 -	-	13,379 -	14,223	41,828 -	19,124 -	15,134 750	13,678 8,379	- (9,129)	133,992 -
Total	16,626	-	13,379	14,223	41,828	19,124	15,884	22,057	(9,129)	133,992
Segment results	61,859	(64,000)	13,015	6,166	(14,770)	612	(1,587)	1,653	(9,129)	(6,181)
Unallocated corporate expenses Finance costs Share of results of associates Share of results of joint ventures Loss before tax	(281,689)	124,598 (352)	-	-	- -	-	-	6,854 –	-	(64,130) (19,837) 131,452 (282,041) (240,737)
Segment assets Interests in associates Interests in joint ventures Unallocated assets	227,318 5,965 8,244,656	4,083,806 686,166 15,712	417,507 _ _	175,397 _ _	449,713 778 –	391,854 _ _	10,902 _ _	27,811 273 –	- -	5,784,308 693,182 8,260,368 9,878
Total assets										14,747,736
Segment liabilities Unallocated liabilities	13,805	3,160,963	-	-	387,826	274,927	209	4,993	-	3,842,723 566,619
Total liabilities										4,409,342
Other segment information: Capital expenditure* Depreciation Interest income Finance costs Write-back of provision/(Provisions) for	- (1,004) - -	307 (540) –	- - 13,379 -	- - 5,120 -	542 (632) - (24)	2,328 (1,312) 14,847 –	16 (76) –	17 (75) 1,578 –	- - -	3,210 (3,639) 34,924 (24)
impairment losses: A joint venture Available-for-sale financial assets Properties held for sale Properties under development Write-back of allowance for bad and	- - 465 -	(2,219) - (156)	- - -	- (90) - -	- - -	- - -	- - -	- - -	- - -	(2,219) (90) 465 (156)
doubtful debts relating to: Banking operation Non-banking operations Net fair value loss on financial assets at fair value through profit or loss	-	-	-	- - (1,230)	4,770	558 - -	-	-	-	558 4,770 (1,230)
Fair value gains on investment properties Unallocated: Capital expenditure* Depreciation Finance costs	_ 26,351	-	-	(1,250) _	-	-	-	-	-	(1,250) 26,351 10,640 (6,059) (19,837)

\* Capital expenditure includes additions to fixed assets and investment properties.
4. SEGMENT INFORMATION (continued) Geographical information

### (a) Revenue from external customers

	Group	
	Year ended Period en	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Hong Kong	43,998	56,757
Macau	24,067	24,718
Mainland China	3,883,816	21,544
Republic of Singapore	11,557	19,076
Other	6,453	11,897
	3,969,891	133,992

The revenue information above is based on the location of the customers.

# (b) Non-current assets

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Hong Kong	4,380	3,423
Macau	159,488	153,280
Mainland China	105,263	101,178
Republic of Singapore	8,476,354	8,941,973
Other	48,764	51,082
	8,794,249	9,250,936

The non-current asset information above is based on the location of the assets and excludes financial instruments.

# Information about a major customer

Revenue of approximately HK\$1,127,405,000 for the year ended 31st March, 2014 was derived from sales by the property development segment to a single customer. No revenue from a single customer accounted for 10 per cent. or more of the total revenue for the period ended 31st March, 2013.

# 5. **REVENUE**

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, proceeds from sales of properties, income on treasury investment which includes interest income on bank deposits, income from securities investment which includes gain/(loss) on sales of securities investment, dividend income and related interest income, income from underwriting and securities broking, gross interest income, commissions, dealing income and other revenue from a banking subsidiary, gross income from project management, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

An analysis of the revenue of the Group by principal activity is as follows:

	Group	
	Year ended	Period ended
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Property investment	13,103	16,626
Property development (Note)	3,844,180	-
Treasury investment	31,369	13,379
Securities investment	15,456	14,223
Corporate finance and securities broking	30,175	41,828
Banking business	19,344	19,124
Project management	4,901	15,134
Other	11,363	13,678
	3,969,891	133,992

*Note:* The revenue for the year ended 31st March, 2014 represents proceeds from sales of properties of the property development project in Beijing which was completed during the year.

Revenue attributable to the banking business represents revenue generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to the banking business is analysed as follows:

	Group	
	Year ended Period end	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Interest income	17,032	14,847
Commission income	2,186	3,619
Other revenue	126	658
	19,344	19,124

### 6. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after crediting/(charging):

	Group		
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)	
Gross rental income from land and buildings Less: Outgoings	13,103 (3,205)	16,626 (3,051)	
Net rental income	9,898	13,575	
Employee benefit expense <i>(Note (a))</i> : Wages and salaries Retirement benefit costs <i>(Note (b))</i>	(55,527) (3,034)	(84,903) (4,603)	
Total staff costs	(58,561)	(89,506)	
Interest income: Unlisted financial assets at fair value through profit or loss Listed available-for-sale financial assets Unlisted available-for-sale financial assets Listed held-to-maturity financial assets Loans and advances Banking business Other	4,972 323 5,789 17,032 31,369	51 4,039 - 1,030 1,578 14,847 13,379	
Dividend income: Listed investments Unlisted investments Gain/(Loss) on disposal of: Listed financial assets at fair value through profit or loss Unlisted financial assets at fair value through profit or loss Listed available-for-sale financial assets Unlisted available-for-sale financial assets Listed held-to-maturity financial assets Subsidiaries	3,477 2,559 3,956 169 273 (116) - (3,548)	1,460 3,459 1,644 2,540 309 (1,957) 570	
<ul> <li>Net fair value gain/(loss) on financial assets at fair value through profit or loss: Listed Unlisted</li> <li>Cost of properties sold</li> <li>Write-back of provision/(Provisions) for impairment losses on (Note (c)): Unlisted available-for-sale financial assets An associate A joint venture Properties held for sale Properties under development Interest expense attributable to the banking business Depreciation</li> </ul>	(2,037) 856 (2,091,234) - (778) (14,645) 1,086 - (4,048) (2,890)	(5,841) 4,611 - (90) - (2,219) 465 (156) (2,640) (9,698)	
Gain/(Loss) on disposal of fixed assets: Leasehold property Other items of fixed assets Foreign exchange gains — net Auditors' remuneration Minimum lease payments under operating lease rentals in respect of land and buildings	– 4,103 (4,587) (20,677)	8,826 (4) 34,033 (5,013) (27,104)	

Note:

(a) The amounts include Directors' emoluments disclosed in Note 7 to the financial statements.

(b) The amounts of forfeited voluntary contributions available to offset future employer contributions against the pension schemes were not material at the year/period end.

(c) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

# 7. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year/period, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance, are as follows:

	Group	
	Year ended Period en	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Directors' fees	1,207	1,216
Basic salaries, housing and other allowances and benefits in kind	3,737	4,434
Retirement benefit costs	31	51
	4,975	5,701

The emoluments paid to each of the directors during the year ended 31st March, 2014 are as follows:

Year ended 31st March, 2014	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$′000
Executive directors: Stephen Riady John Lee Luen Wai Kor Kee Yee	- 59 -	1,307 905 1,525	15 15 1	1,322 979 1,526
Non-executive director:	59	3,737	31	3,827
Leon Chan Nim Leung	313			313
Independent non-executive directors: Albert Saychuan Cheok Victor Yung Ha Kuk Tsui King Fai	283 264 288	- - -	- - -	283 264 288
	835	-	-	835
	1,207	3,737	31	4,975

### 7. DIRECTORS' EMOLUMENTS (continued)

The emoluments paid to each of the directors during the period ended 31st March, 2013 are as follows:

Period ended 31st March, 2013	Directors' fees HK\$'000	Basic salaries, housing and other allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
		•		1
Executive directors:				
Stephen Riady	_	1,307	15	1,322
John Lee Luen Wai	59	1,132	18	1,209
Kor Kee Yee	-	1,995	18	2,013
	59	4,434	51	4,544
Non-executive director:				
Leon Chan Nim Leung	314	_	_	314
	514			
Independent non-executive directors:				
Albert Saychuan Cheok	282	-	-	282
Victor Yung Ha Kuk	263	_	_	263
Tsui King Fai	298	-	_	298
	843	-	-	843
	1,216	4,434	51	5,701

There were no arrangements under which a Director waived or agreed to waive any emoluments during the year/period.

During the year, no share options were granted to the Directors.

# 8. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the current year and the prior period did not include any Director, details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the five (period ended 31st March, 2013 — five) non-director, highest paid employees for the year/ period are as follows:

	Group	
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
Basic salaries, housing and other allowances and benefits in kind Discretionary bonuses paid and payable Retirement benefit costs	8,268 3,578 30	10,920 3,024 41
	11,876	13,985

The number of non-director, highest paid employees whose emoluments fell within the following bands is as follows:

	Group	
	Year ended Period ende	
	31st March,	31st March,
	2014	2013
	Number of	Number of
Emoluments bands (HK\$):	employees	employees
1,500,001–2,000,000	3	-
2,000,001–2,500,000	-	2
2,500,001–3,000,000	-	1
3,000,001–3,500,000	2	1
3,500,001–4,000,000	-	1
	5	5

### 9. FINANCE COSTS

	Gro	Group	
	Year ended	Period ended	
	31st March,	31st March,	
	2014	2013	
	HK\$'000	HK\$'000 (Restated)	
Interest on bank and other borrowings wholly repayable		()	
within five years	17,968	78,650	
Less: Interest capitalised	(16,624)	(58,789)	
	1,344	19,861	

The amount excluded interest expense incurred by a banking subsidiary of the Group.

### **10. SHARE OF RESULTS OF JOINT VENTURES**

For the year ended 31st March, 2014, the Group's share of loss in Lippo ASM Asia Property Limited ("LAAPL") amounted to approximately HK\$527,017,000 (period ended 31st March, 2013 — HK\$281,689,000, restated). The share of loss recognised during the year was mainly attributable to the provision made on the properties under development, the net fair value loss on investment portfolio and the finance costs incurred. LAAPL is a material joint venture of the Group, further details are given in Note 19 to the financial statements.

### **11. INCOME TAX**

	Group	
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)
Hong Kong: Charge for the year/period Overprovision in prior years	_ (71)	427 (24)
	(71)	403
Overseas: Charge for the year/period Overprovision in prior years Deferred <i>(Note 29)</i>	757,223 _ 63,995	1,499 (30,819) 6,450
	821,218	(22,870)
Total charge/(credit) for the year/period	821,147	(22,467)

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (period ended 31st March, 2013 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

### **11. INCOME TAX** (continued)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Gro	Group	
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000 (Restated)	
Profit/(Loss) before tax	1,324,118	(240,737)	
Tax at the statutory tax rate of 16.5 per cent. (period ended 31st March, 2013 — 16.5 per cent.) Effect of different tax rates in other jurisdictions Adjustments in respect of current tax of previous years Profits and losses attributable to joint ventures and associates Income not subject to tax Expenses not deductible for tax Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China Tax losses utilised from previous years Tax losses not recognised Land appreciation tax Tax effect of land appreciation tax	218,479 140,316 (71) 51,379 (9,290) 17,353 62,327 (18,524) 10,886 464,389 (116,097)	(39,722) (313) (30,843) 24,847 (8,391) 12,136 - (3,426) 23,245 - -	
Tax charge/(credit) at the Group's effective rate	821,147	(22,467)	

For the companies operating in the mainland China, Republic of Singapore and Macau, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 25 per cent., 17 per cent. and 12 per cent. (period ended 31st March, 2013 — 25 per cent., 17 per cent. and 12 per cent.), respectively.

The share of tax charge attributable to associates amounting to HK\$7,492,000 (period ended 31st March, 2013 — HK\$26,276,000, restated) and the share of tax charge attributable to joint ventures of HK\$117,347,000 (period ended 31st March, 2013 — tax charge of HK\$53,677,000, restated) are included in "Share of results of associates" and "Share of results of joint ventures" on the face of the consolidated statement of profit or loss, respectively.

# 12. RESULTS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated results attributable to equity holders of the Company for the year include a profit of HK\$15,819,000 (period ended 31st March, 2013 — profit of HK\$2,856,000) which has been dealt with in the financial statements of the Company as set out in Note 32 to the financial statements.

### 13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

#### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the consolidated profit/(loss) for the year/ period attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (period ended 31st March, 2013 — approximately 1,998,497,000 ordinary shares) in issue during the year/period.

### (b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31st March, 2014.

No adjustment has been made to the basic loss per share amount presented for the period ended 31st March, 2013 as the share options outstanding during the period had no dilutive effect on the basic loss per share amount presented.

# 14. DISTRIBUTIONS

	Group and Company	
	Year ended	Period ended
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Interim distribution, declared, of HK2 cents (period ended 31st March, 2013 — Nil) per ordinary share Final distribution, proposed, of HK2 cents	39,966	-
(period ended 31st March, 2013 — HK2 cents) per ordinary share	39,966	39,966
	79,932	39,966

The proposed final distribution for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 15. GOODWILL

	Group	
	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Cost: Balance at beginning and end of year/period	74,815	74,815
Accumulated impairment: Balance at beginning and end of year/period	3,330	3,330
Net carrying amount	71,485	71,485

### **15. GOODWILL** (continued)

### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the banking business CGU, which is a reportable segment, for impairment testing.

The recoverable amount of the banking business CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 6 per cent. (31st March, 2013 — 8 per cent.). The growth rate used to extrapolate the cash flows of the banking business beyond the five-year period is assumed to be nil.

### 16. FIXED ASSETS Group

#### Leasehold improvements, furniture, Leasehold fixtures, land and equipment and Total Year ended 31st March, 2014 buildings motor vehicles HK\$'000 HK\$'000 HK\$'000 Cost: 8,051 At 1st April, 2013 77,480 85,531 Additions during the year 4,399 4,399 Disposal of a subsidiary (1,857)(1,857) Disposals during the year (1,003) (1,003)Exchange adjustments (110) (110) At 31st March, 2014 8,051 78,909 86,960 Accumulated depreciation: At 1st April, 2013 749 69,053 69,802 Depreciation provided for the year 81 2,809 2,890 Disposal of a subsidiary (1,529) (1,529) Disposals during the year (1,003) (1,003)Exchange adjustments (115) (115) \_ At 31st March, 2014 830 69,215 70,045 Net book value: At 31st March, 2014 7,221 9,694 16,915

# **16. FIXED ASSETS** (continued)

Group

		Leasehold	
		improvements,	
		furniture,	
	Leasehold	fixtures,	
	land and	equipment and	
Period ended 31st March, 2013	buildings	motor vehicles	Total
·	HK\$'000	HK\$'000	HK\$'000
Cost:			
At 1st January, 2012	108,464	103,297	211,761
Additions during the period	_	13,850	13,850
Surplus on revaluation	8,885	-	8,885
Reclassified to investment properties	(11,568)	-	(11,568)
Disposals during the period	(101,661)	(40,995)	(142,656)
Exchange adjustments	3,931	1,328	5,259
At 31st March, 2013	8,051	77,480	85,531
Accumulated depreciation:			
At 1st January, 2012	1,913	72,679	74,592
Depreciation provided for the period	1,097	8,601	9,698
Reclassified to investment properties	(219)	-	(219)
Disposals during the period	(2,084)	(12,615)	(14,699)
Exchange adjustments	42	388	430
At 21st March 2012	740		60,803
At 31st March, 2013	749	69,053	69,802
Net book value:			
At 31st March, 2013	7,302	8,427	15,729
	, ,502	0,427	13,723

The net book value of the leasehold land and buildings comprises:

	Group	
	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Medium term leasehold land and buildings situated outside Hong Kong	7,221	7,302

# 16. FIXED ASSETS (continued) Company

	Furniture, fixtures, equipment and motor vehicles	
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
Cost:		
Balance at beginning of year/period Additions during the year/period Disposals during the year/period	8,801 1,843 (2)	6,949 2,248 (396)
Balance at end of year/period	10,642	8,801
Accumulated depreciation: Balance at beginning of year/period Depreciation provided for the year/period Disposals during the year/period	6,668 529 (2)	6,887 177 (396)
Balance at end of year/period	7,195	6,668
Net book value	3,447	2,133

# **17. INVESTMENT PROPERTIES**

	Group	
	Year ended 31st March,	Period ended 31st March,
	2014 HK\$'000	2013 HK\$'000
Balance at beginning of year/period	210,172	171,408
Additions during the year/period Fair value adjustments Reclassified from fixed assets	8 8,447	– 26,351 11,349
Exchange adjustments	1,290	1,064
Balance at end of year/period	219,917	210,172
Investment properties situated outside Hong Kong held under the following lease terms:		
Leasehold Freehold	181,289 38,628	171,111 39,061
	219,917	210,172

### **17. INVESTMENT PROPERTIES** (continued)

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.

The Group engages external, independent and professionally qualified valuers to determine the fair value of the Group's investment properties for financial reporting purposes. The Group's management has reviewed the valuation results by verifying the major inputs and assumptions made by the independent valuers and assessing the reasonableness of property valuation.

Based on professional valuations as at 31st March, 2014 made by Asian Appraisal Company, Inc., CBRE, Inc., ProCasa Consulting GmbH & Co. KG, and RHL Appraisal Limited, independent qualified valuers, the investment properties situated outside Hong Kong were revalued on an open market, existing use basis at HK\$219,917,000 (31st March, 2013 — HK\$210,172,000).

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31st March, 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<b>Recurring fair value measurement for:</b> Completed investment properties in mainland China and overseas	-	-	219,917	219,917

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Completed investment properties HK\$'000
Carrying amount at 1st April, 2013	210,172
Additions	8
Net gain from fair value adjustments	8,447
Exchange adjustments	1,290
Carrying amount at 31st March, 2014	219,917

# **17. INVESTMENT PROPERTIES** (continued)

### Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties:

Class of property	Valuation techniques	Significant unobservable inputs	Range
Completed properties	Market approach	Price per square metre	HK\$11,500 to HK\$43,000
	Income approach	Rental per square metre per month Capitalisation rate	HK\$125 to HK\$240 5.5 per cent. to 6 per cent.

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market. The key input was the market price per square metre, with a significant increase/decrease in the market price would result in a significant increase/ decrease in the fair value of the investment properties.

Under the income approach, fair value is estimated on the basis of capitalisation of the net income and have allowed for outgoings and, in appropriate case, made provisions for reversionary income potential. The key inputs were market rent and the capitalisation rate, with a significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in isolation would result in a significant here capitalisation rate in the capitalisation rate in isolation would result in a significant here capitalisation rate in the capitalisation rate in the capitalisation rate in the capitalisation rate in the capitalisatin rate in the capitalisatin rate in the capitalisatin rate in t

# **18. INTERESTS IN ASSOCIATES**

	Group	
	31st March, 31st Mar	
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Share of net assets in unlisted investments	424,342	394,799
Due from associates	98,390	313,369
	522,732	708,168
Provisions for impairment losses	(15,764)	(14,986)
	506,968	693,182

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment and are considered as quasi-equity investments in the associates.

During the year, the Directors reviewed the carrying amount of the associates with reference to their business performances prepared by the investees' management. Impairment loss of HK\$778,000 (period ended 31st March, 2013 — Nil) has been charged to the consolidated statement of profit or loss for the year.

### **18.** INTERESTS IN ASSOCIATES (continued)

Details of the principal associates are set out on page 127.

Greenix Limited and its subsidiaries, which are considered material associates of the Group, engage in property development in Singapore and are accounted for using the equity method.

The following table illustrates the summarised consolidated financial information of Greenix Limited adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Current assets	1,029,138	1,418,196
Current liabilities	(31,269)	(45,865)
Non-current liabilities	(181,099)	(614,806)
Net assets	816,770	757,525
Reconciliation to the Group's interest in the associate:		
Group's share of net assets of the associate	408,385	378,763
Due from associate	90,549	307,403
Carrying amount of the investment	498,934	686,166
Revenue for the year/period	243,893	950,493
Profit and total comprehensive income for the year/period	69,518	249,196

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Group	
	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Share of the associates' profit/(loss) and total comprehensive income/(loss) for the year/period Aggregate carrying amount of the Group's interests	(79)	6,854
in the associates	8,034	7,016

### **19. INTERESTS IN JOINT VENTURES**

	Group	
	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000 (Restated)
Share of net assets in unlisted investments Due from joint ventures Due to joint ventures	7,889,893 105,935 –	8,407,424 15,254 (160,091)
Provisions for impairment losses	7,995,828 (16,864)	8,262,587 (2,219)
	7,978,964	8,260,368

The balances with the joint ventures include a loan of HK\$3,978,000 (31st March, 2013 — HK\$3,981,000), which is secured by certain shares of a joint venture, bears interest at the United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. At the end of the reporting period, such balance has been impaired and provided for (31st March, 2013 — Nil). The balances include another loan of HK\$63,587,000 (31st March, 2013 — Nil), which is unsecured, bears interest at 9.5 per cent. per annum and is repayable in 2015.

The remaining balances with the joint ventures are unsecured, interest-free and have no fixed terms of repayment and are considered as quasi-equity investments in the joint ventures.

During the year, the Directors reviewed the carrying amount of the joint ventures with reference to their business performances prepared by the investees' management. Impairment loss of HK\$14,645,000 (period ended 31st March, 2013 — HK\$2,219,000) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal joint ventures are set out on page 128.

LAAPL is considered a material joint venture of the Group. LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE", formerly known as Overseas Union Enterprise Limited), a listed company in Singapore. OUE focuses its business across commercial, hospitality, retail and residential property segments. Certain bank facilities under LAAPL were secured by certain listed shares held under it. It is accounted for using the equity method.

# **19. INTERESTS IN JOINT VENTURES** (continued)

The following table illustrates the summarised financial information of LAAPL adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Non-current assets	35,034,704	30,639,232
Cash and cash equivalents Other current assets	5,884,277 5,451,687	3,865,539 5,667,475
Current assets	11,335,964	9,533,014
Financial liabilities, excluding trade and other payables Other current liabilities	(2,877,982) (1,330,981)	(5,048,464) (1,149,845)
Current liabilities	(4,208,963)	(6,198,309)
Non-current financial liabilities, excluding trade and other payables and provisions Other non-current liabilities	(20,178,300) (786,443)	(16,997,553) (500,920)
Non-current liabilities	(20,964,743)	(17,498,473)
Net assets	21,196,962	16,475,464
Reconciliation to the Group's interest in the joint venture: Net assets <i>Less:</i> Non-controlling interests	21,196,962 (12,952,179)	16,475,464 (7,560,456)
Net assets attributable to equity holders of the joint venture	8,244,783	8,915,008
Group's share of net assets of the joint venture Due from/(to) the joint venture	7,772,983 81,634	8,404,747 (160,091)
Carrying amount of the investment	7,854,617	8,244,656
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
Revenue Interest income Depreciation and amortisation Interest expenses Tax Loss for the year/period attributable to equity holders of the joint venture Other comprehensive income/(loss) for the year/period attributable to equity holders of the joint venture Total comprehensive income/(loss) for the year/period attributable to equity holders of the joint venture	2,370,925 23,509 (169,921) (890,190) (137,006) (559,120) (30,939) (590,059)	2,942,321 20,484 (252,315) (1,391,631) (91,774) (298,850) 433,461 134,611

# **19. INTERESTS IN JOINT VENTURES** (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Share of the joint ventures' profit/(loss) and total comprehensive income/(loss) for the year/period	180,949	(352)
Aggregate carrying amount of the Group's interests	100,545	(552)
in the joint ventures	124,347	15,712

As at 31st March, 2014, the Group's share of the joint ventures' own capital commitment amounted to HK\$784,146,000 (31st March, 2013 — HK\$543,098,000, restated).

# 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Com	pany
	31st March,	31st March,	31st March,	31st March,
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets stated at fair value:				
Equity securities listed overseas	51	53	-	-
Debt securities listed in Hong Kong	52,807	51,609	-	-
Debt securities listed overseas	26,171	18,018	-	-
Unlisted debt securities	5,043	-	-	-
Unlisted investment funds	7,400	16,250	-	-
	91,472	85,930	-	-
Financial assets stated at cost:				
Unlisted equity securities	77,451	81,365	-	-
Unlisted debt securities	3,165	3,165	3,165	3,165
Provision for impairment losses	(64,090)	(64,090)	(90)	(90)
	16,526	20,440	3,075	3,075
	107,998	106,370	3,075	3,075
Less: Amount classified under				
current portion	(3,753)	-	-	-
Non-current portion	104,245	106,370	3,075	3,075

The debt securities bear interest at effective rates ranging from nil to 14 per cent. (31st March, 2013 — nil to 10 per cent.) per annum.

### 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

An analysis of the issuers of available-for-sale financial assets is as follows:

	Group		Group		Com	pany
	31st March,	31st March,	31st March,	31st March,		
	2014	2013	2014	2013		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Equity securities:						
Corporate entities	77,502	81,418	-	-		
Debt securities:						
Club debenture	3,165	3,165	3,165	3,165		
Corporate entities	69,713	52,583	-	-		
Banks and other financial institutions	14,308	17,044	-	-		
	87,186	72,792	3,165	3,165		

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK\$5,436,000 (period ended 31st March, 2013 — gain of HK\$5,363,000), of which loss of HK\$323,000 (period ended 31st March, 2013 — loss of HK\$1,632,000) was reclassified from consolidated other comprehensive income to the consolidated statement of profit or loss for the year upon disposal.

The available-for-sale financial assets consist of investments in equity securities and investment funds which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

Apart from the above, certain unlisted available-for-sale financial assets issued by private entities are measured at cost less impairment at the end of the reporting period. The Directors consider that information to be applied in the valuation techniques cannot be reliably obtained on a continuous basis. The fair values of these unlisted available-for-sale financial assets cannot be reliably measured.

During the year ended 31st March, 2014, the Directors reviewed the carrying amount of available-for-sale financial assets with reference to their business performances prepared by the investees' management. No impairment loss has been charged to the consolidated statement of profit or loss for the year (period ended 31st March, 2013 — HK\$90,000).

During the year ended 31st December, 2008, the Group had reclassified certain of its debt instruments from the fair value through profit or loss category into the available-for-sale category due to the change of its intention from holding these debt instruments for the purpose of trading in the near term to holding them for the foreseeable future. As at 31st March, 2014, these debt instruments were stated at fair value of HK\$981,000 (31st March, 2013 — HK\$974,000). Had the reclassification not taken place, the Group would have recognised a fair value gain of HK\$7,000 (period ended 31st March, 2013 — fair value gain of HK\$108,000 and a decrease of gain on disposal of HK\$325,000) in the consolidated statement of profit or loss for the year.

### 21. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at effective rates ranging from 3 per cent. to 9 per cent. (31st March, 2013 — 3 per cent. to 9 per cent.) per annum. Certain balances arising from securities broking and banking operations are secured by clients' properties, deposits and securities being held as collaterals with a carrying amount of HK\$871,194,000 (31st March, 2013 — HK\$1,090,619,000).

At the end of the reporting period, the overdue or impaired balances are related to securities broking, banking and money lending operations. Movements in the allowance for bad and doubtful debts during the year/period are as follows:

	Group	
	Year ended Period end	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Balance at beginning of year/period	6,770	8,450
Allowance for bad and doubtful debts	176	-
Impairment allowance released	(101)	(695)
Amount written off as uncollectible	-	(985)
Balance at end of year/period	6,845	6,770

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there is no recent history of default.

# 22. PROPERTIES UNDER DEVELOPMENT

	Group	
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
Land and buildings situated outside Hong Kong, at cost: Balance at beginning of year/period Additions during the year/period Reclassified to properties held for sale Exchange adjustments	2,423,055 448,936 (2,254,236) 27,247	1,480,818 948,994 – (6,757)
Balance at end of year/period	645,002	2,423,055
Provisions for impairment losses: Balance at beginning of year/period Impairment during the year/period Exchange adjustments	(12,653) _ 1,073	(15,163) (156) 2,666
Balance at end of year/period	(11,580)	(12,653)
	633,422	2,410,402
Land and buildings situated outside Hong Kong held under the following lease terms: Medium term leases Freehold	602,118 31,304	2,376,430 33,972
	633,422	2,410,402

Certain properties under development have been mortgaged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.

# 23. DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balances are trade debtors with an aged analysis, based on the invoice date and net of provisions as follows:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	45,580	30,993
Within 30 days	15,106	14,574
Between 61 and 90 days	8	23
	60,694	45,590

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing.

At the end of the reporting period, the individually impaired receivables relate to securities broking operation and a property development project with an aggregate carrying amount of HK\$19,580,000 (31st March, 2013 — HK\$25,650,000). The Group does not hold sufficient collateral or other credit enhancements over these balances. Movements in the allowance for bad and doubtful debts for these individually impaired receivables during the year/period are as follows:

	Group	
	Year ended Period en	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Balance at beginning of year/period	21,875	26,460
Allowance for bad and doubtful debts	-	1,205
Impairment allowance released	(3,958)	(5,790)
Balance at end of year/period	17,917	21,875

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there is no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

	Gro	oup	Com	pany
	31st March,	31st March,	31st March,	31st March,
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hold for trading:				
Held for trading: Equity securities:				
Listed in Hong Kong	27,193	36,011	2,291	2,962
Listed overseas	77,015	3,101	2,644	3,101
	104,208	39,112	4,935	6,063
Unlisted investment funds	19,266	29,915	-	-
	123,474	69,027	4,935	6,063

# 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	Group		Company	
	31st March,	31st March,	31st March,	31st March,
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:				
Corporate entities	104,208	38,380	4,935	6,063
Banks and other financial institutions	-	732	-	-
	104,208	39,112	4,935	6,063

# 25. RESTRICTED CASH

The balance includes:

- (a) certain amount of the sale proceeds received by a subsidiary of the Group engaging in property development that was placed with designated bank accounts under supervision pursuant to relevant rules and regulations; and
- (b) bank deposits pledged to secure banking facilities made available to the Group as set out in Note 26 to the financial statements.

### 26. BANK AND OTHER BORROWINGS

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Secured bank loans (Note)	308,387	509,497
Less: Amount classified under current portion	(308,387)	(286,915)
Non-current portion	-	222,582
Bank and other borrowings by currency:		
Hong Kong dollar	302,082	222,582
Renminbi	6,305	286,915
	308,387	509,497
Bank loans repayable:		
Within one year or on demand	308,387	286,915
In the third to fifth years, inclusive	-	222,582
	308,387	509,497

#### Note:

At the end of the reporting period, the bank loans were secured by:

- (i) first legal mortgages over certain investment properties and properties under development of the Group with carrying amounts of HK\$104,659,000 (31st March, 2013 HK\$100,301,000) and HK\$602,118,000 (31st March, 2013 HK\$1,476,611,000), respectively; and
- (ii) certain bank deposits of the Group with a carrying amount of HK\$95,885,000 (31st March, 2013 HK\$176,123,000).

The Group's bank and other borrowings bear interest at floating rates ranging from 3.6 per cent. to 7.3 per cent. (31st March, 2013 — 3.6 per cent. to 6.8 per cent.) per annum.

### 27. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received mainly comprised of pre-sale proceeds received from the property development projects of the Group of HK\$408,735,000 (31st March, 2013 — HK\$2,820,004,000), and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$357,899,000 (31st March, 2013 — HK\$384,309,000). As at 31st March, 2014, total client trust bank balances amounted to HK\$311,353,000 (31st March, 2013 — HK\$356,002,000).

An aged analysis of trade creditors are as follows:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	343,953	373,411
Within 30 days	38,788	109,004
	382,741	482,415

Trade creditors are generally settled on their normal trade terms. Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation which are interest-bearing, the balances of creditors are non-interest-bearing.

### 28. CURRENT, FIXED, SAVINGS AND OTHER DEPOSITS OF CUSTOMERS

The current, fixed, savings and other deposits of customers attributable to banking operation bear interest at effective rates ranging from 0.01 per cent. to 3.0 per cent. (31st March, 2013 — 0.01 per cent. to 4.0 per cent.) per annum.

### 29. DEFERRED TAX

The movements in deferred tax liabilities during the year/period are as follows:

#### Group

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Fair value gains on available- for-sale financial assets HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st March, 2014					
At 1st April, 2013 Deferred tax charged to the statement of profit or loss	3,230	37,607	4,337	-	45,174
during the year (Note 11)	149	1,519	-	62,327	63,995
Deferred tax debited to equity during the year Exchange adjustments	- (247)	- 197	(2,428) –	- 33	(2,428) (17)
At 31st March, 2014	3,132	39,323	1,909	62,360	106,724
Period ended 31st March, 2013					
At 1st January, 2012 Deferred tax charged to the statement of profit or loss	497	32,609	2,702	-	35,808
during the period (Note 11)	2,590	3,860	-	-	6,450
Deferred tax debited to equity during the period	_	1,066	1,635	_	2,701
Exchange adjustments	143	72	-	-	215
At 31st March, 2013	3,230	37,607	4,337	-	45,174

The Group has tax losses of HK\$429,409,000 (31st March, 2013 — HK\$439,680,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Included in tax losses of the Group as at 31st March, 2013 were an amount of tax losses of HK\$72,664,000 which would expire in one to five years. Deferred tax assets have not been recognised in respect of these tax losses at the end of the reporting period due to the unpredictability of future profit streams.

Pursuant to the People's Republic of China Corporate Income Tax Law, a 10 per cent. withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement became effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1st January, 2008.

### 29. DEFERRED TAX (continued)

At 31st March, 2014, except for withholding tax provided for under deferred tax liabilities, there were no significant unrecognised deferred tax liabilities (31st March, 2013 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payments of dividends of the Company to its shareholders.

### **30. SHARE CAPITAL**

	Group and Company	
	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Authorised: 4,000,000,000 (31st March, 2013 — 4,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	4,000,000
Issued and fully paid: 1,998,280,097 (31st March, 2013 — 1,998,280,097) ordinary shares of HK\$1.00 each	1,998,280	1,998,280

There was no movements in share capital during the year ended 31st March, 2014.

During the period ended 31st March, 2013, the movements in share capital were as follows:

- (a) The Company had repurchased a total of 8,816,000 ordinary shares of HK\$1.00 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The premium of HK\$1,978,000 arising from such repurchases has been charged to the distributable reserves of the Company and an amount of HK\$8,816,000 was transferred from distributable reserves to the capital redemption reserve as set out in the consolidated statement of changes in equity on page 41. The repurchases of the Company's shares during the period were effected by the Directors with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Company.
- (b) A total of 3,881,000 ordinary shares of HK\$1.00 each in the Company were issued upon exercise in cash by option holders of their rights to subscribe for 3,206,000 ordinary shares and 675,000 ordinary shares at an exercise price of HK\$1.24 per share and HK\$1.00 per share respectively. An amount of HK\$3,881,000 was credited to the issued share capital and the balance of HK\$769,000 was credited to the share premium account. HK\$1,339,000 was transferred from the share option reserve to the share premium account upon the exercise of the options.

### **31. SHARE OPTION SCHEME**

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company, Lippo, an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company and formerly an intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"), the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including director, officer and/or employee of the Group or any member of it); or any consultant, adviser, supplier, customer or sub-contractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Persons") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date, that is, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company on the date of grant of the option, as stated in the daily guotations sheets of the Stock Exchange; (ii) the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Stock Exchange; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

At the beginning and end of the year, there were no outstanding options granted under the Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in the Company.

No option of the Company was granted, exercised, cancelled or lapsed during the year.

# 32. RESERVES

### Group

The amounts of the Group's reserves and movements therein for the current year and the prior period are presented in the consolidated statement of changes in equity on page 41.

# Company

	Share premium account	Share option reserve	Capital redemption reserve	Distributable reserves	Total
	HK\$'000	HK\$'000	(Note (d)) <b>HK\$'000</b>	(Note (c)) <b>HK\$'000</b>	HK\$'000
<b>Year ended 31st March, 2014</b> At 1st April, 2013 Profit for the year and	92,275	-	22,144	1,040,902	1,155,321
total comprehensive income for the year ( <i>Note 12</i> ) 2012/2013 final distribution declared	-	-	-	15,819	15,819
and paid to shareholders of the Company 2013/2014 interim distribution declared and paid to shareholders	-	-	-	(39,966)	(39,966)
of the Company	-	-	-	(39,966)	(39,966)
At 31st March, 2014	92,275	-	22,144	976,789	1,091,208
Period ended 31st March, 2013 At 1st January, 2012 Profit for the period and	90,167	7,219	13,328	1,102,948	1,213,662
total comprehensive income for the period <i>(Note 12)</i> Repurchases of shares Issuance of shares upon exercise	-	-	- 8,816	2,856 (10,794)	2,856 (1,978)
of share options Transfer of share option reserve	2,108	(1,339)	-	-	769
upon expiry of share options 2011 final and special final distribution declared and	-	(5,880)	-	5,880	-
paid to shareholders of the Company	-	-	-	(59,988)	(59,988)
At 31st March, 2013	92,275	_	22,144	1,040,902	1,155,321

#### 32. **RESERVES** (continued)

Note:

- (a) Cancellation of the share premium account and transfer to distributable reserves: Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.
- (b) Distributable reserves of the Group at 31st March, 2014 comprised retained profits of HK\$5,985,128,000 (31st March, 2013 HK\$5,749,122,000) and the remaining balance arising from the Cancellation of HK\$864,873,000 (31st March, 2013 HK\$944,805,000). Included in the distributable reserves of the Group at 31st March, 2014 were an amount of final distribution for the year then ended of HK\$39,966,000 (period ended 31st March, 2013 HK\$39,966,000) proposed after the end of the reporting period.
- (c) Distributable reserves of the Company at 31st March, 2014 comprised contributed surplus of HK\$134,329,000 (31st March, 2013 HK\$134,329,000), accumulated losses of HK\$22,413,000 (31st March, 2013 HK\$38,232,000) and the remaining balance arising from the Cancellation of HK\$864,873,000 (31st March, 2013 HK\$944,805,000). Included in the distributable reserves of the Company at 31st March, 2014 was an amount of final distribution for the year then ended of HK\$39,966,000 (period ended 31st March, 2013 HK\$39,966,000) proposed after the end of the reporting period.
- (d) The capital redemption reserve is not available for distribution to shareholders.
- (e) The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.
- (f) The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.
- (g) The hedging reserve relates to the Group's share of the hedging reserve of joint ventures.

### **33. INTERESTS IN SUBSIDIARIES**

	Company	
	31st March,	31st March,
	2014 HK\$′000	2013 HK\$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	3,419,673	3,431,270
Due to subsidiaries	(212,170)	(341,266)
	3,207,504	3,090,005
Provisions for impairment losses	(132,037)	(116,527)
	3,075,467	2,973,478

### 33. INTERESTS IN SUBSIDIARIES (continued)

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain balances bear interest at various rates ranging from 2.9 per cent. to 6.0 per cent. (31st March, 2013 — 2.8 per cent. to 12.0 per cent.) per annum. The remaining balances are considered as quasi-equity investments in subsidiaries.

Details of the principal subsidiaries are set out on pages 123 to 126.

Beijing Lippo Century Realty Co., Ltd. is considered a subsidiary that has material non-controlling interests. The percentage of equity interest held by its non-controlling interests as at 31st March, 2014 is 20 per cent. (31st March, 2013 — 20 per cent.). Details of the Group's subsidiary that has material non-controlling interests is set as below:

	Group	
	Year ended Period ende	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Profit/(Loss) for the year/period allocated to non-controlling interests Accumulated balances of non-controlling interests at the end	188,302	(6,395)
of the reporting periods	251,514	61,977

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	31st March, 2014 HK\$'000	31st March, 2013 HK\$'000
Current assets	2,324,276	3,435,725
Non-current assets	473	747
Current liabilities	(1,066,716)	(3,126,133)
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
Revenue	3,876,133	12,954
Total expenses	(2,934,621)	(44,928)
Profit/(Loss) for the year/period	941,512	(31,974)
Total comprehensive income/(loss) for the year/period	947,684	(30,852)
Net cash flows from operating activities	2,603,710	550,468
Net cash flows used in investing activities	(721,310)	(199,670)
Net cash flows used in financing activities	(184,287)	(140,967)
Net increase in cash and cash equivalents	1,698,113	209,831

# 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

# (a) Reconciliation of profit/(loss) before tax to cash generated from operations

Group			
	Year ended	Period ended	
	31st March, 2014	31st March, 2013	
Note	2014 HK\$'000	HK\$'000	
		(Restated)	
Profit/(Loss) before tax	1,324,118	(240,737)	
Adjustments for: Share of results of associates	(34,680)	(131,452)	
Share of results of joint ventures	346,068	282,041	
Loss/(Gain) on disposal of:	510,000	202,011	
Fixed assets	-	(8,822)	
An associate	-	163	
Available-for-sale financial assets	(157)	1,648	
Held-to-maturity financial assets 6	-	(570)	
Subsidiaries 6	3,548	-	
Provisions/(Write-back of provision) for impairment losses:			
An associate 6	778	-	
A joint venture 6 Available-for-sale financial assets 6	14,645	2,219 90	
Available-for-sale financial assets6Properties held for sale6	_ (1,086)	(465)	
Properties under development 6	(1,000)	(405)	
Net fair value loss on financial assets		150	
at fair value through profit or loss	1,181	1,230	
Write-back of allowance for bad and doubtful debts	(3,883)	(5,328)	
Fair value gains on investment properties	(8,447)	(26,351)	
Finance costs	1,344	19,861	
Interest income	(59,485)	(34,924)	
Dividend income	(6,036)	(4,919)	
Depreciation 6	2,890	9,698	
	1,580,798	(136,462)	
Increase in properties under development	(448,936)	(948,994)	
Decrease in properties held for sale	2,091,234	-	
Increase in loans and advances	(35,192)	(90,667)	
Decrease/(Increase) in debtors, prepayments and deposits	126,873	(236,390)	
Decrease/(Increase) in financial assets at fair value through profit or loss	(55,628)	22,185	
Decrease in client trust bank balances	44,411	194,345	
Decrease/(Increase) in restricted cash	815,912	(580,034)	
Increase/(Decrease) in creditors, accruals and deposits received Increase in current, fixed, savings and other deposits of customers	(2,432,615) 65,394	2,119,268 146,561	
increase in current, ince, savings and other deposits of customers	05,554	140,001	
Cash generated from operations	1,752,251	489,812	

# Notes to the Financial Statements (continued)

# 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries

	Group Year ended 31st March, 2014 HK\$'000
Net assets disposed of: Fixed assets Debtors, prepayments and deposits Cash and bank balances Other payables, accruals and deposits received	328 1,085 3,394 (25)
Release of cumulative exchange difference on translation of foreign operations	4,782 (1,234) 3,548 (3,548)
Satisfied by: Cash consideration	(3,546)
An analysis of the outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows: Cash and bank balances disposed of	(3,394)

# **35. CONTINGENT LIABILITIES**

### Group

As at 31st March, 2014, the Group had contingent liabilities relating to its banking subsidiary of HK\$18,063,000 (31st March, 2013 — HK\$20,882,000) comprising guarantees and other endorsements of HK\$15,328,000 (31st March, 2013 — HK\$15,191,000) and liabilities under letters of credit on behalf of customers of HK\$2,735,000 (31st March, 2013 — HK\$5,691,000).

# Company

As at 31st March, 2014, guarantees provided by the Company in respect of banking facilities granted to its subsidiaries amounted to HK\$907,805,000 (31st March, 2013 — HK\$910,663,000), which were utilised to an extent of HK\$308,387,000 (31st March, 2013 — HK\$231,745,000).

### **36. OPERATING LEASE ARRANGEMENTS**

#### (a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition.

As at 31st March, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Within one year	8,494	10,023
In the second to fifth years, inclusive	11,198	4,608
After five years	164	-
	19,856	14,631

#### (b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates up to 31st March, 2016 and the leases for properties contain the provision for rental adjustments.

As at 31st March, 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group		Company	
	<b>31st March,</b> 31st March,		31st March,	31st March,
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year In the second to fifth years, inclusive	6,946 1,078	17,628 5,995	1,227 _	2,677 1,227
	8,024	23,623	1,227	3,904

# **37. COMMITMENTS**

The Group had the following commitments at the end of the reporting period:

	Group	
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Commitments in respect of properties under development: Contracted, but not provided for Other commitments:	216,488	722,895
Contracted, but not provided for (Note)	73,988	74,995
	290,476	797,890

*Note:* The balance included the Group's capital commitments in respect of the joint ventures for certain property projects in the Republic of Singapore of approximately HK\$22 million (31st March, 2013 — HK\$22 million).

The Company did not have any material commitments at the end of the reporting period (31st March, 2013 — Nil).

### **38. RELATED PARTY TRANSACTIONS**

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year/period:

- (a) During the year, the Company paid rental expenses (including service charges) of HK\$2,981,000 (period ended 31st March, 2013 HK\$3,785,000) to Porbandar Limited, a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 15th September, 2014. The Company expects the total future minimum lease payments for the year ending 31st March, 2015 to be approximately HK\$1,227,000.
- (b) During the year, the Group paid rental expenses (including service charges) of HK\$3,421,000 (period ended 31st March, 2013 HK\$4,703,000) to a joint venture of the Group, in respect of office premises occupied by a subsidiary of the Group which was disposed of during the year. The rental was determined by reference to the then prevailing open market rentals.
- (c) During the year, the Group received trading commissions, brokerage service fees, collection fees and/or other incidental fees (the "Fees") in the total amount of HK\$1,280,000, HK\$12,000 and HK\$20,000 (period ended 31st March, 2013 — HK\$387,000, HK\$318,000 and HK\$20,000) from LCR and its subsidiaries, Lippo and its subsidiaries (other than the Group and LCR and its subsidiaries) and Lippo Capital and its subsidiaries (other than Lippo and its subsidiaries). The Fees were determined by reference to the prevailing fees offered to relevant market customers of comparable standing.
- (d) During the year, the Group received project management income of HK\$3,149,000 (period ended 31st March, 2013 HK\$12,034,000, restated) and HK\$1,777,000 (period ended 31st March, 2013 HK\$2,270,000, restated) from associates and joint ventures of the Group, respectively.

### 38. RELATED PARTY TRANSACTIONS (continued)

- (e) During the year, the Company paid finance cost to Lippo of HK\$294,000 (period ended 31st March, 2013 HK\$2,614,000) in respect of loans advanced to the Company.
- (f) During the year, a joint venture of the Group paid service fees to a fellow subsidiary of the Company in the total amount of HK\$8,119,000 (period ended 31st March, 2013 — HK\$1,379,000) for management of a restaurant and operation of the French cuisine segment and Japanese cuisine segment of a restaurant. The service fee was determined by reference to the market rates comparable to that of other service providers.
- (g) During the year, a joint venture of the Group received rental income (including service charge) in the total amount of HK\$3,509,000 (period ended 31st March, 2013 HK\$3,787,000) from a fellow subsidiary of the Company. The rentals were determined by reference to the then prevailing open market rentals.
- (h) During the year, certain joint ventures of the Group purchased food and beverage products of HK\$1,967,000 (period ended 31st March, 2013 — HK\$1,455,000) from certain fellow subsidiaries of the Company. The purchases were made on normal commercial terms in line with, and with reference to, the industry practice.
- (i) In October 2013, a subsidiary of a joint venture of the Group entered into an agreement for the purchase of the entire issued share capital of Tecwell Limited, a then fellow subsidiary of the Company (the "Acquisition") which, through its wholly-owned subsidiary, owns the properties at Lippo Plaza in Shanghai. The Acquisition was completed in January 2014 for a final cash consideration of approximately HK\$833.7 million.
- (j) As at 31st March, 2014, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 18 and 19, respectively to the financial statements.
- (k) The key management personnel of the Group are the Directors. Details of the Directors' emoluments are disclosed in Note 7 to the financial statements.

The transactions referred to in items (a) and (c) above are also continuing connected transactions of the Company as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of these transactions are disclosed in the section headed "Continuing Connected Transactions" in the Report of the Directors.
#### **39. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### Group

#### **Financial assets**

	Financial assets at fair value through profit or loss held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
At 21st Marsh 2014				
At 31st March, 2014 Amount due from a joint venture		63,587	_	63,587
Available-for-sale financial assets	_	- 100,00	 107,998	107,998
Financial assets at fair value through profit or loss	123,474	_	-	123,474
Loans and advances	-	367,598	-	367,598
Financial assets included in debtors, prepayments and deposits	-	163,895	-	163,895
Client trust bank balances	-	311,353	-	311,353
Restricted cash	-	174,303	-	174,303
Treasury bills	-	33,950	-	33,950
Cash and bank balances	-	2,289,239	-	2,289,239
	123,474	3,403,925	107,998	3,635,397
At 31st March, 2013 (restated)				
Amount due from a joint venture	_	3,981	_	3,981
Available-for-sale financial assets	_		106,370	106,370
Financial assets at fair value through profit or loss	69,027	_	_	69,027
Loans and advances	-	332,481	-	332,481
		33L, 101		552,101
Financial assets included in debtors, prepayments and deposits	-	62,902	-	62,902
Financial assets included in debtors, prepayments and deposits Client trust bank balances	- -	62,902 356,002	-	62,902 356,002
Financial assets included in debtors, prepayments and deposits Client trust bank balances Restricted cash	- -	62,902 356,002 1,054,374	- -	62,902 356,002 1,054,374
Financial assets included in debtors, prepayments and deposits Client trust bank balances Restricted cash Treasury bills	- - -	62,902 356,002 1,054,374 9,700	- - -	62,902 356,002 1,054,374 9,700
Financial assets included in debtors, prepayments and deposits Client trust bank balances Restricted cash	- - - -	62,902 356,002 1,054,374	- - - -	62,902 356,002 1,054,374

#### **Financial liabilities**

	Financial liabilities at amortised cost		
	31st March,	31st March,	
	2014	2013	
	HK\$'000	HK\$'000	
Bank and other borrowings	308,387	509,497	
Financial liabilities included in creditors, accruals and deposits received	769,069	765,436	
Current, fixed, savings and other deposits of customers	332,180	266,786	
Amount due to joint ventures	-	160,091	
	1,409,636	1,701,810	

#### 39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)* 

#### Company

**Financial assets** 

	Financial assets at fair value through profit or loss held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
At 31st March, 2014				
Amount due from subsidiaries	-	22,242	-	22,242
Available-for-sale financial assets	-	-	3,075	3,075
Financial assets at fair value through profit or loss	4,935	-	-	4,935
Financial assets included in debtors, prepayments and deposits	-	844	-	844
Cash and bank balances	-	8,351	-	8,351
	4,935	31,437	3,075	39,447
At 31st March, 2013				
Amount due from subsidiaries	-	32,248	-	32,248
Available-for-sale financial assets	-	_	3,075	3,075
Financial assets at fair value through profit or loss	6,063	_	-	6,063
Financial assets included in debtors, prepayments and deposits	-	1,534	-	1,534
Cash and bank balances	-	175,029	-	175,029
	6,063	208,811	3,075	217,949

#### **Financial liabilities**

	Financial liabilities at amortised cost		
	31st March,	31st March,	
	2014	2013	
	HK\$'000 HK\$'00		
Financial liabilities included in creditors, accruals and deposits received	7,037	7,711	

#### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments carried at fair value, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

#### Group

	Carrying amounts		Fair v	alues
	31st March,	31st March,	31st March,	31st March,
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b> Available-for-sale financial assets Financial assets at fair value through profit or loss	91,472 123,474	85,930 69,027	91,472 123,474	85,930 69,027
	214,946	154,957	214,946	154,957

#### Company

	Carrying	amounts	Fair values		
	31st March,	31st March,	31st March,	31st March,	
	2014	2013	2014	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets					
Financial assets at fair value through					
profit or loss	4,935	6,063	4,935	6,063	

Management has assessed that the fair values of cash and bank balances, treasury bills, restricted cash, client trust bank balances, financial assets included in debtors, prepayments and deposits, loans and advances, financial liabilities included in creditors, payables and accruals and current, fixed, savings and other deposits of customers approximate to their carrying amounts largely due to the short term maturity of these instruments. In addition, the fair values of interest-bearing bank and other borrowings with floating interest rates approximate to their carrying amounts.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of significant financial instruments. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines major inputs applied in the valuation.

#### **40.** FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments and debt securities are based on quoted market prices.

The fair values of unlisted investments funds are assessed to approximate the net asset values indicated on the net asset value statement issued by the investment fund manager, which take into consideration the fair value of the underlying properties and assets held under the investments. Where appropriate, a discount is applied to take into consideration of the non-marketable nature of the investments.

Below is a summary of significant unobservable inputs to the valuation of financial instruments used in Level 3 fair value measurements as at 31st March, 2014.

	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Available-for-sale investment funds	Discounted cash flow method	Discount rate	8 per cent. to 21 per cent.	Increase/(Decrease) in discount rate would result in (decrease)/increase in fair value
Investment funds at fair value through profit or loss	Discounted cash flow method	Discount rate	5 per cent.	Increase/(Decrease) in discount rate would result in (decrease)/increase in fair value

#### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### Group

		Fair value meas	urement using	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
As at 31st March, 2014				
Available-for-sale financial assets:	51			51
Equity securities Debt securities	51 84,021	-	-	51 84,021
Investment funds	04,021	-	- 7,400	7,400
Financial assets at fair value through profit or loss:	_	-	7,400	7,400
Equity securities	104,208	_	_	104,208
Investment funds	-	363	18,903	19,266
			· · ·	· · ·
	188,280	363	26,303	214,946
As at 31st March, 2013 Available-for-sale financial assets:				
Equity securities	53	_	_	53
Debt securities	69,627	_	_	69,627
Investment funds		3,604	12,646	16,250
Financial assets at fair value through profit or loss:		5,004	12,040	10,200
Equity securities	39,112	_	_	39,112
Investment funds	. –	372	29,543	29,915
	108,792	3,976	42,189	154,957

#### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The movements in fair value measurements in Level 3 during the year/period are as follows:

#### Group

	Available- for-sale investment funds HK\$'000	Investment funds at fair value through profit or loss HK\$'000
Year ended 31st March, 2014 At 1st April, 2013 Total gains recognised in the statement of profit or loss Total losses recognised in other comprehensive income Purchases Disposals Exchange adjustments	12,646 _ (4,933) 126 (431) (8)	29,543 966 – – (11,486) (120)
At 31st March, 2014	7,400	18,903
Period ended 31st March, 2013 At 1st January, 2012 Total gains recognised in the statement of profit or loss Total gains recognised in other comprehensive income Purchases Disposals Exchange adjustments	12,022 - 2,971 334 (2,670) (11)	28,735 4,614 - (3,786) (20)
At 31st March, 2013	12,646	29,543

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (period ended 31st March, 2013 — Nil).

#### Company

	Fair value measurement using				
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000	
Financial assets at fair value through profit or loss: <b>As at 31st March, 2014</b>	4,935	-	-	4,935	
As at 31st March, 2013	6,063	_	_	6,063	

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (period ended 31st March, 2013 — Nil).

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for risk management which are reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The risk management function is carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group, which are summarised below.

#### (a) Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from lending, treasury, investment and other activities undertaken by the Group.

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval is conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management is performed by management of individual business units.

The Group has established guidelines to ensure that all new debt investments are properly made, taking into account factors such as the credit rating requirements and the maximum exposure limit to a single corporate or issuer. All relevant departments within the Group are involved to ensure that appropriate processes, systems and controls are set in place before and after the investments are acquired.

	Group		
	31st March, 31st Mar		
	2014	2013	
	HK\$'000	HK\$'000	
By geographical area:			
Hong Kong	129,205	120,883	
Macau	288,705	248,278	
Others	10,382	8,910	
	428,292	378,071	

The Group's exposure to credit risk arising from loans and advances and trade debtors at the end of the reporting period based on the information provided to key management is as follows:

The bank balances are deposited with creditworthy banks with no recent history of default.

#### (b) Liquidity risk

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations meet the statutory requirement for the minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitors the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. As at 31st March, 2014, all (31st March, 2013 — 56 per cent.) of the Group's debts would mature in less than one year based on the carrying values of bank and other borrowings.

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

#### Group

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st March, 2014							
Ac 5 ist March, 2014 Assets							
Amount due from a joint venture	_	_	_	63,587	_	_	63,587
Debt securities:							
Available-for-sale financial assets	-	-	3,753	57,688	13,550	12,105	87,096
Loans and advances	172,545	65,680	38,222	69,984	21,167	-	367,598
Debtors and deposits	107,143	25,747	3,026	-	-	27,979	163,895
Client trust bank balances	287,301	24,052	-	-	-	-	311,353
Restricted cash	173,942	361	-	-	-	-	174,303
Treasury bills	-	33,950	-	-	-	-	33,950
Cash and bank balances	320,162	1,743,367	225,710	-	-	-	2,289,239
	4 064 000	4 000 457	270 744	404 250	24.747	40.004	2 404 024
	1,061,093	1,893,157	270,711	191,259	34,717	40,084	3,491,021
Liabilities							
Bank and other borrowings	6,305	-	302,082	-	-	-	308,387
Creditors, accruals and deposits received	251.069	2/1 617	1 0 2 2			75 264	760.060
received Current, fixed, savings and other	351,068	341,617	1,023	-	-	75,361	769,069
deposits of customers	81,816	188,059	62,305	_	_	_	332,180
	01,010	100,000	02,505				552,100
	439,189	529,676	365,410	-	-	75,361	1,409,636

(b) Liquidity risk (continued)

Group

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st March, 2013 (restated)							
Assets							
Amount due from a joint venture	-	_	_	_	_	3,981	3,981
Debt securities:						- 1	-,
Available-for-sale financial assets	-	-	-	34,322	24,307	14,073	72,702
Loans and advances	197,067	41,531	28,562	45,730	19,591	-	332,481
Debtors and deposits	33,432	18,268	421	-	-	10,781	62,902
Client trust bank balances	292,735	63,267	-	-	-	-	356,002
Restricted cash	1,054,025	349	-	-	-	-	1,054,374
Treasury bills	-	9,700	-	-	-	-	9,700
Cash and bank balances	297,182	403,004	83,314	-	-	-	783,500
	1,874,441	536,119	112,297	80,052	43,898	28,835	2,675,642
Liabilities							
Bank and other borrowings	9,163	277,752	_	222,582	_	_	509,497
Creditors, accruals and deposits	57100	_,,,,,		/00			0007107
received	378,673	132,874	3,232	_	_	250,657	765,436
Current, fixed, savings and other	,	,	,			,	,
deposits of customers	103,335	142,586	20,865	-	-	-	266,786
Amounts due to joint ventures	-	-	-	-	-	160,091	160,091
	491,171	553,212	24,097	222,582	-	410,748	1,701,810

#### (b) Liquidity risk (continued)

An analysis of the maturity profile of assets and liabilities of the Company analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

#### Company

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st March, 2014						
Assets						
Amount due from subsidiaries	-	-	-	-	22,242	22,242
Debt securities: Available-for-sale financial assets	_	-	_	_	3,075	3,075
Debtors and deposits	38	-	-	-	806	844
Cash and bank balances	3,675	4,676	-	-	-	8,351
	3,713	4,676	_	_	26,123	34,512
Liabilities						
Creditors, accruals and deposits received	3,333	46	-	-	3,658	7,037
Guarantees given to banks in connection with facilities granted to subsidiaries	308,387	_	_	_	_	308,387
	311,720	46	-	-	3,658	315,424
At 31st March, 2013 Assets						
Amount due from subsidiaries	_	_	_	-	32,248	32,248
Debt securities:						
Available-for-sale financial assets	-	-	-	-	3,075	3,075
Debtors and deposits Cash and bank balances	37 4,511	- 170,518	_	_	1,497	1,534 175,029
	4,511	170,510				175,025
	4,548	170,518	-	-	36,820	211,886
( in billion						
Liabilities Creditors, accruals and deposits received	1,580	2,330	_	_	3,801	7,711
Guarantees given to banks in connection with	1,000	2,000			5,001	,,, , , ,
facilities granted to subsidiaries	231,745	-	-	-	-	231,745
	233,325	2,330	-	-	3,801	239,456

#### (c) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions mainly arise from treasury, banking and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. When appropriate, interest rate swaps would be used to manage this risk in a cost-effective manner. The interest rate risk is managed and monitored regularly by senior management of the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax and equity (through the impact on interest-bearing monetary assets and liabilities).

	Year en	ded 31st Marc	:h, 2014	Period er	nded 31st Marc	h, 2013
	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000
<b>Group</b> Hong Kong dollar United States dollar Singapore dollar Renminbi	+50 +50 +50 +50	(414) 118 5 10,460	(414) (1,407) 5 10,207	+50 +50 +50 +50	(401) 323 713 4,673	(401) (1,326) 713 4,364
Hong Kong dollar United States dollar Singapore dollar Renminbi	-50 -50 -50 -50	414 (118) (5) (10,460)	414 1,528 (5) (10,204)	-50 -50 -50 -50	401 (323) (713) (4,673)	401 1,487 (713) (4,360)
<b>Company</b> Hong Kong dollar United States dollar Singapore dollar Hong Kong dollar United States dollar Singapore dollar	+50 +50 +50 -50 -50 -50	2 3 2 (2) (3) (2)	2 3 2 (2) (3) (2)	+50 +50 +50 -50 -50 -50	6 188 651 (6) (188) (651)	6 188 651 (6) (188) (651)

#### (d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Singapore dollar exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/( in profit b	-
	Year ended 31st March, 2014 HK\$'000	Period ended 31st March, 2013 HK\$'000
<b>Group</b> United States dollar against Hong Kong dollar		
<ul> <li>— strengthened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>— weakened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>Singapore dollar against Hong Kong dollar</li> </ul>	3,715 (3,715)	9,341 (9,341)
<ul> <li>— strengthened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>— weakened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> </ul>	2,312 (2,312)	4,140 (4,140)
<b>Company</b> United States dollar against Hong Kong dollar		
<ul> <li>— strengthened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>— weakened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>Singapore dollar against Hong Kong dollar</li> </ul>	31 (31)	1,124 (1,124)
<ul> <li>strengthened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> <li>weakened 3 per cent. (period ended 31st March, 2013 — 3 per cent.)</li> </ul>	50 (50)	4,002 (4,002)

The Group has a banking subsidiary in Macau with certain monetary assets and liabilities denominated in Hong Kong dollar and United States dollar. The Directors consider that the foreign currency risk of this subsidiary is immaterial as no material fluctuation of exchange rates between Pataca and Hong Kong dollar and between Pataca and United States dollar is expected.

At the end of the reporting period, the cash and bank balances of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK\$2,013,291,000 (31st March, 2013 — HK\$313,901,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

#### (e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets classified as available-for-sale financial assets (Note 20) and financial assets at fair value through profit or loss (Note 24) as at 31st March, 2014. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day to the end of the reporting period, and their respective highest and lowest points during the year/period were as follows:

	31st March, 2014	High/Low Year ended 31st March, 2014	31st March, 2013	High/Low Period ended 31st March, 2013
Hong Kong — Hang Seng Index Republic of Singapore — Straits Times Index	22,151 3,189	24,039/19,813 3,455/2,960	22,300 3,308	23,822/18,185 3,313/2,688

In prior years, the Group used the Value at Risk model to assess possible changes in the market value of the investment portfolio based on historical data from the past two years. Since most of the financial assets subject to equity price risk are listed equity investments, management considers that sensitivity analysis based on fair value changes is sufficient to monitor the equity price risk and adopts this method starting from the current financial year.

#### (e) Equity price risk (continued)

The following table demonstrates the sensitivity to every 3 per cent. change in the fair values of the equity investments and investment funds, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the investment revaluation reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

	Group					
	31st Mar	ch, 2014	31st March, 2013			
	Increase/		Increase/			
	(Decrease)	Increase/	(Decrease)	Increase/		
	in profit	(Decrease)	in profit	(Decrease)		
	before tax	in equity*	before tax	in equity*		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Available-for-sale financial assets						
Global and other	-	224	_	489		
Financial assets at fair value						
through profit or loss						
Hong Kong	816	-	1,080	_		
Republic of Singapore	2,310	-	93	-		
Global and other	578	-	897	-		
	3,704	-	2,070	-		

\* Excluding retained profits

#### (f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Company are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. Management monitors, on a daily basis, these subsidiaries' liquid capital to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rule.

#### (f) Capital management (continued)

Under the terms of Macau banking legislation, MCB is required to transfer to a legal reserve an amount equal to a minimum of 20 per cent. of its annual profit after tax until the amount of the reserve is equal to 50 per cent. of its issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10 per cent. of its annual profit after tax until the reserve is equal to MCB's issued and fully paid up share capital. This reserve is only distributable in accordance with certain limited circumstances prescribed by statute. MCB monitors solvency ratio under the requirement of Autoridade Monetária de Macau, the Monetary Authority of Macau, and keeps the ratio at not less than 8 per cent. throughout the current year.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31st March, 2014 and the period ended 31st March, 2013.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings, net of non-controlling interests by total shareholders' equity. Total borrowings include current and non-current bank and other borrowings. Total shareholders' equity represents equity attributable to equity holders of the Company.

	Gro	oup
	Year ended	Period ended
	31st March,	31st March,
	2014	2013
	HK\$'000	HK\$'000
Bank and other borrowings (Note 26)	308,387	509,497
Less: Non-controlling interests in bank and other borrowings	-	(55,550)
Bank and other borrowings, net of non-controlling interests	308,387	453,947
Equity attributable to equity holders of the Company	10,391,515	10,276,626
Gearing ratio	3 per cent.	4 per cent.

#### 42. COMPARATIVE FIGURES

As further explained in Note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1st January, 2012 has been presented.

#### 43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th June, 2014.

# **Particulars of Principal Subsidiaries**

#### PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31ST MARCH, 2014 ARE AS SET OUT BELOW.

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	percentage attributal Compa		Principal activities
Allyield Limited	British Virgin Islands	US\$1	_	100	Investment holding
Apex Tier Limited	British Virgin Islands	US\$1	-	100	Investment holding
Beaming Empire Limited	British Virgin Islands	US\$1	-	100	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US\$50,000	-	100	Property investment
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)**	People's Republic of China	US\$3,000,000*	_	100	Property investment and management
Conrich Inc.	British Virgin Islands	US\$1	-	100	Investment holding
Cyberspot Limited	British Virgin Islands	US\$1	-	100	Investment holding
Cyfield Limited	British Virgin Islands	US\$1	-	100	Property investment
Dragonjoy Investment Limited	Hong Kong	HK\$10,000	-	100	Securities trading
Everwin Pacific Ltd.	British Virgin Islands	US\$1	-	100	Property investment
Fiatsco Limited	British Virgin Islands	US\$1	-	100	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	_	100	Property development
Golden Stellar Limited	British Virgin Islands	US\$1	100	100	Investment holding
Green Assets Investments Limited	British Virgin Islands	US\$1	_	100	Investment holding
HCL Management Limited	Hong Kong	HK\$1	_	100	Management services
HKC Property Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding

# Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
HKC Realty LLC**	United States of America	US\$2,250,000*	_	100	Property investment
Hong Kong Housing Loan Limited	Hong Kong	HK\$40,000,000	-	100	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK\$8,500,000	-	100	Investment advisory and asset management
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US\$2,000,100	-	100	Investment holding
ImPac Fund Managers (BVI) Ltd.	British Virgin Islands	US\$13,000	-	100	Fund management
Lippo Asia Limited	Hong Kong	HK\$120,000,000	_	100	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK\$400,000	_	100	Fund management
Lippo Futures Limited	Hong Kong	US\$2,000,000	-	100	Commodities brokerage
Lippo Securities Holdings Limited	Hong Kong	US\$23,000,000	-	100	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	_	100	Investment holding
Lippo Securities Limited	Hong Kong	HK\$220,000,000	-	100	Securities brokerage
Lippo (S) Pte. Ltd.**	Republic of Singapore	\$\$2,000,000	-	100	Property investment
L.S. Finance Limited	Hong Kong	HK\$5,000,000	-	100	Money lending
Masta Limited	British Virgin Islands	US\$1	-	100	Investment holding
Masuda Limited	British Virgin Islands	US\$10,000	-	100	Investment holding

### Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	percentage attributab	le to the y/Group	Principal activities
MGS Ltd.	British Virgin Islands	US\$1	_	100	Investment holding
Norfyork International Limited	Hong Kong	HK\$25,000,000	_	100	Investment holding
Okio Ltd.	British Virgin Islands/ Hong Kong	US\$1	-	100	Investment holding
Pacific Bond Limited	British Virgin Islands	US\$1	-	100	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US\$1	-	100	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US\$1	-	100	Investment
Proton Power Asia Limited	Hong Kong	HK\$90	_	100	Investment holding
Sinogain Asia Limited	British Virgin Islands	US\$1	-	100	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment
Stargala Limited	British Virgin Islands	US\$1	_	100	Property investment
The Macau Chinese Bank Limited**	Macau	MOP260,000,000	_	100	Banking
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	-	100	Investment
Uchida Limited	British Virgin Islands	US\$1	-	100	Investment holding
Wealtop Limited	British Virgin Islands	US\$1	_	100	Investment holding
Winluck Asia Limited	British Virgin Islands	US\$1	_	100	Property investment
Winluck Pacific Limited	British Virgin Islands	US\$1	_	100	Property investment
Winrider Limited	British Virgin Islands	US\$1	_	100	Investment holding

#### Particulars of Principal Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	percentage attributal Compai		Principal activities
Wonder Plan Holdings Limited	British Virgin Islands	US\$1	-	100	Investment
Yield Point Limited	British Virgin Islands	US\$1	_	100	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)**	People's Republic of China	US\$36,000,000*	_	80	Property development
TechnoSolve Limited	Hong Kong	HK\$26,296,000	_	68.65	Development of computer hardware and software
科慧(珠海)軟件 有限公司**	People's Republic of China	RMB800,000*	-	68.65	Development and sale of banking software and technical advisory
Kingtek Limited	British Virgin Islands	US\$100	-	60	Investment holding

<sup>#</sup> based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

\* paid up registered capital

\*\* audited by certified public accountants other than Ernst & Young, Hong Kong

Note:

MOP — Macau patacas

- Pesos Philippines pesos
- RMB People's Republic of China renminbi

S\$ — Singapore dollars

US\$ — United States dollars

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

#### PARTICULARS OF PRINCIPAL ASSOCIATES AS AT 31ST MARCH, 2014 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	lssued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group#	Principal activities
Greenix Limited	Corporate	British Virgin Islands	US\$100,000	50	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S\$1,000,000	50	Property development
Lippo ASM Investment Management Limited	Corporate	Cayman Islands	US\$100	49	Investment management
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$16,286.6	36.84	Investment holding

<sup>#</sup> based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

Note:

*S*\$ — *Singapore dollars* 

US\$ — United States dollars

The above table includes the associates of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

# **Particulars of Principal Joint Ventures**

#### PARTICULARS OF PRINCIPAL JOINT VENTURES AS AT 31ST MARCH, 2014 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group (unless otherwise stated)#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$1,000,000	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US\$2	50	Investment holding
Lippo ASM Asia Property Limited	Corporate	Cayman Islands	US\$1,000	Note (b)	Investment holding
Wealthy Place Limited	Corporate	British Virgin Islands	US\$2	30	Investment holding
Lippo Project Pte. Limited	Corporate	Republic of Singapore	S\$2	30	Property development

\* based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

Note:

(a) S\$ — Singapore dollars

US\$ — United States dollars

(b) Its issued share capital comprised of (i) 800 voting, non-participating class "A" shares of US\$1.00 each; (ii) 100 non-voting, participating class "B" shares of US\$1.00 each; and (iii) 100 non-voting, participating class "C" shares of US\$1.00 each. The Group was interested in 50 per cent. of all the class "A" shares in issue and 100 per cent. of all the class "B" shares in issue which entitled the Group to 50 per cent. of the voting rights and approximately 94.26 per cent. of the profit sharing of this company.

#### (1) PROPERTIES HELD FOR INVESTMENT AS AT 31ST MARCH, 2014

Description	Use	Approximate gross floor area	F Status	Percentage of the Group's interest
		(square metres)		
PEOPLE'S REPUBLIC OF CHINA				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
2nd to 6th Floors The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	2,590	Rental	100
OVERSEAS				
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	100
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	100
Apartment No. 2 Blumenthalstrasse 22 69120 Heidelberg, Germany	Residential	153 (net floor area)	Rental	100

#### (2) PROPERTY HELD AS FIXED ASSET AS AT 31ST MARCH, 2014

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
PEOPLE'S REPUBLIC OF CHINA			
Basement, Ground Floor and 1st Floor The Macau Chinese Bank Building Avenida da Praia Grande No. 101 Macau	Commercial	1,558	100

#### (3) PROPERTIES HELD FOR DEVELOPMENT AS AT 31ST MARCH, 2014

Description	Use	Approximate site area	Approximate gross floor area	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st March, 2014
		(square metres)	(square metres)			
PEOPLE'S REPUBLIC OF CHINA						
83 Estrada de Cacilhas Macau	Residential	3,398	26,025 (total saleable area)	100	2014/ 2015	Interior fitting-out works in progress
OVERSEAS						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land

#### (4) PROPERTIES HELD FOR SALE AS AT 31ST MARCH, 2014

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
PEOPLE'S REPUBLIC OF CHINA			
Certain units and car parking spaces at No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Commercial/ Residential	20,627	80
OVERSEAS			
854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100

## **Summary of Financial Information**

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below. As a result of the adoption of HKFRS 10 *Consolidated Financial Statements* as described in Note 2 to the financial statements, figures for the fifteen-month ended 31st March, 2013 have been restated to comply with the new requirement. Figures for the years ended 31st December, 2009, 2010 and 2011 have not been restated as it would involve delay and expenses out of proportion to the benefits of the shareholders.

	Year ended 31st March, 2014 HK\$'000	Fifteen-month ended 31st March, 2013 HK\$'000 (Restated)	Year ended 31st December, 2011 HK\$'000	Year ended 31st December, 2010 HK\$'000	Year ended 31st December, 2009 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	313,577	(209,464)	1,022,294	2,614,827	(359,343)
Total assets	13,176,213	14,747,736	12,369,201	10,409,228	6,191,312
Total liabilities	(2,536,665)	(4,409,342)	(2,356,375)	(1,578,922)	(1,386,844)
Net assets	10,639,548	10,338,394	10,012,826	8,830,306	4,804,468
Non-controlling interests	(248,033)	(61,768)	(89,153)	(112,592)	(189,516)
Equity attributable to equity holders of the Company	10,391,515	10,276,626	9,923,673	8,717,714	4,614,952