



Hongkong Chinese Limited
香港華人有限公司

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

2016/2017
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

SECRETARY

Mr. Kelsch Woon Kun Wong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

China CITIC Bank International Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank
The Bank of East Asia, 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

NEW PRINCIPAL PLACE OF BUSINESS

(with effect from 1st August, 2017)

40th Floor, Tower Two
Lippo Centre
89 Queensway
Hong Kong

STOCK CODE

655

WEBSITE

www.hkchinese.com.hk

Chairman's Statement

I am pleased to present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31st March, 2017 (the "Year").

The global economy has gradually picked up moderately since the third quarter of the year 2016. Stronger consumer and business confidence and improvement in employment rates and stock markets have contributed to an improvement in the global economy. Against this backdrop, the Group recorded a consolidated profit attributable to shareholders of approximately HK\$45 million for the Year, as compared to a consolidated profit of approximately HK\$229 million (restated) for the year ended 31st March, 2016.

However, the global economy is still overshadowed by political and geo-political events. With a strong financial position, the Group is well positioned to meet the challenges ahead and look for new investment opportunities.

The Directors have proposed a final cash dividend of HK1 cent per share for the Year. Together with the interim dividend of HK1 cent per share, total dividends for the Year will be HK2 cents per share.

I would like to take this opportunity to thank our management team and staff members for their continued loyalty, diligence and professionalism to the Group. I would also like to thank our Directors for their support and guidance. We will continue our efforts to create value to our shareholders and stakeholders.

Stephen Riady

Chairman

29th June, 2017

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the year ended 31st March, 2017 (the “Year”).

BUSINESS REVIEW

Overview

The global economy was volatile in the year 2016. The political and economic events such as the Brexit, the result of the U.S. presidential election, the extent of and the timing on increase of U.S. interest rate and devaluation of Renminbi created uncertainties and market volatility. On the positive side, the prevailing low interest rates and ample global liquidity have helped to maintain a more stable economic environment in the region.

The performance of global stock markets has improved since the third quarter of the year 2016. Moving into 2017, the pace of U.S. interest rate increase has become clearer. With the U.S. presidential election over, investors’ confidence towards the U.S. economy has gradually picked up. Renminbi as well as the stock market in mainland China has become more stable and less volatile.

Results for the Year

The Company and its subsidiaries (collectively, the “Group”) recorded a consolidated profit attributable to shareholders of approximately HK\$45 million for the Year, as compared to a consolidated profit of approximately HK\$229 million (restated following the completion of certain purchase price allocation review under the Group’s joint venture) for the year ended 31st March, 2016 (the “Last Year” or “2016”). The profit for the Year was mainly contributed by the disposal of remaining units of the Group’s property development projects.

Revenue for the Year decreased to HK\$216 million (2016 — HK\$1,327 million). The higher revenue for 2016 was mainly contributed by a development project in Macau completed in the Last Year and all pre-sale proceeds of this development project were recognised as revenue during the Last Year. No new property development projects were completed during the Year, which accounted for the decrease in revenue.

Property investment

Segment revenue from the property investment business is mainly attributable to rental income from the investment properties portfolio and the interest income from the loans to Lippo ASM Asia Property Limited (“LAAPL”, a principal joint venture of the Company). The total segment revenue for the Year increased to HK\$81 million (2016 — HK\$51 million), mainly due to the increase of loans to LAAPL during the Year. After the impact of the fair value change of the investment properties, the segment reported a profit of HK\$72 million (2016 — HK\$75 million) for the Year before accounting for the share of results from the Group’s joint ventures.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment *(continued)*

LAAPL is the vehicle holding the controlling stake of OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. The OUE Group has substantial and stable recurrent income stream from its high quality property portfolio at prime locations in Singapore, Shanghai in the People’s Republic of China (“PRC”) and Los Angeles in the United States of America. Asset enhancement initiatives at OUE Downtown in Singapore which transformed the development into a vibrant mixed-use development encompassing offices, a retail podium and serviced residences have been completed. The retail podium has been transformed into Downtown Gallery, which offers new retail and dining concepts across six levels and was opened in May 2017. Oakwood Premier OUE Singapore, the new 268 units of serviced residences in OUE Downtown was opened in June 2017. The OUE Group also completed the construction of the extension to Crowne Plaza Changi Airport Hotel (“Crowne Plaza”) in Singapore which was opened during the Year. Crowne Plaza won the Best Airport Hotel (Singapore) at the TTG Travel Awards 2016 and the World’s Best Airport Hotel at the Skytrax World Airport Awards 2017. The iconic U.S. Bank Tower in downtown Los Angeles, a 75-storey Class A office tower, officially opened in June 2016 after completing its enhancement works. The enhancement works include, inter alia, OUE Skyspace LA, a two-storey open-air observation deck at the top of the tower, offering 360-degree views of the city and a first-of-its-kind Skyslide attraction. U.S. Bank Tower contributed positively to the revenue of the OUE Group. The OUE Group has achieved higher sales at OUE Twin Peaks, a residential property in Singapore, during the Year from active marketing activities. As at 31st March, 2017, LAAPL had an aggregate equity interest of approximately 68.63 per cent. in OUE.

OUE Hospitality Trust (“OUE H-Trust”), a real estate investment trust established by OUE in 2013, is listed on the Main Board of the SGX-ST. Its portfolio includes Mandarin Orchard Singapore, Mandarin Gallery and Crowne Plaza in Singapore. In April 2016, OUE H-Trust successfully completed a rights issue (the “Rights Issue”) of 441,901,257 new stapled securities in OUE H-Trust (the “Rights Stapled Securities”) at S\$0.54 per Rights Stapled Security and raised funds of approximately S\$238.6 million. Such funds were mainly utilised by OUE H-Trust to finance its acquisition of the extension to Crowne Plaza from OUE for a consideration of approximately S\$205 million in August 2016.

LAAPL, OUE and an intermediate holding company of the Company took up in full their respective pro-rata entitlements to the Rights Stapled Securities. LAAPL’s subscription amount of approximately S\$18 million was funded by a wholly-owned subsidiary of the Company (the “Subsidiary”) by way of interest free exchangeable loans (the “Exchangeable Loans”) in exchange for the Rights Stapled Securities subscribed by LAAPL. After the exchange right under the Exchangeable Loans was exercised to fully settle the Exchangeable Loans, LAAPL further disposed of certain stapled securities in OUE H-Trust in September 2016. As at 31st March, 2017, LAAPL and its subsidiaries held approximately 37.97 per cent. of the total number of stapled securities of OUE H-Trust in issue.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) was established by OUE in early 2014 and is listed on the Main Board of the SGX-ST. Its property portfolio includes OUE Bayfront and One Raffles Place in Singapore as well as the properties at Lippo Plaza in Shanghai. The occupancy rates of its property portfolio are high. In March 2017, 233,281,400 new OUE C-REIT units were issued at S\$0.643 per unit under a private placement to third parties. As a result, the OUE Group’s interests in OUE C-REIT was decreased from approximately 64.98 per cent. as at 31st March, 2016 to approximately 55.41 per cent. as at 31st March, 2017.

International Healthway Corporation Limited (“IHC”) became a subsidiary of OUE during the Year. On 16th February, 2017, the OUE Group entered into a sale and purchase agreement to acquire 593,470,029 shares in IHC. Together with the 362,204,008 shares in IHC acquired previously, the OUE Group then owned approximately 57.6 per cent. equity interest in IHC and announced a mandatory unconditional cash offer for all the remaining issued shares in IHC at an offer price of S\$0.106 per share. The offer closed on 13th April, 2017 and as at the date of this report, the OUE Group owned approximately 86.16 per cent. equity interest in IHC. IHC is a company listed on the sponsor-supervised listing platform of the SGX-ST. It is an integrated healthcare services and facilities provider that currently owns 12 nursing homes in Japan and 2 hospitals in the PRC, and is developing an integrated medical centre in Malaysia.

The Group recorded a share of loss of joint ventures of HK\$22 million from its investment in LAAPL for the Year (2016 — HK\$281 million, restated). The share of loss for the Year was mainly resulted from net fair value loss on the joint ventures’ investment properties and finance costs incurred by the joint ventures, partially offset by profit from disposal and reversal of impairment loss of its properties held for sale and fair value gain from its investments designated at fair value through profit or loss. The restated share of loss for the Last Year was mainly attributable to the impairment loss on properties held for sale, the impairment loss on goodwill arising from the acquisition of a subsidiary and finance costs incurred by the joint ventures. Besides, affected by the depreciation of the Singapore dollar during the Year, the Group shared a decrease in exchange reserve on translation of LAAPL’s investment of HK\$322 million during the Year.

During the Year, the Group advanced loans of approximately S\$169 million to a subsidiary of LAAPL (the “LAAPL Subsidiary”). The proceeds of these loans were used to repay part of the existing indebtedness under LAAPL and for working capital purpose. These loans, together with the advances made to the LAAPL Subsidiary in prior years contributed interest income of HK\$75 million (2016 — HK\$41 million) to the Group for the Year.

As a result, the total interests in LAAPL as at 31st March, 2017 increased to HK\$9.5 billion (2016 — HK\$9.0 billion, restated).

Property development

“M Residences” is a residential property development at 83 Estrada de Cacilhas, Macau, in which the Group has 100 per cent. interest. “M Residences”, with a site area of approximately 3,398 square metres, has been developed into 311 residential units with a total saleable area of approximately 26,025 square metres. Occupation permit of “M Residences” was obtained in June 2015 and a substantial part of revenue was recorded in the Last Year. Hence, the segment revenue and segment profit for the Year decreased to HK\$108 million (2016 — HK\$1,226 million) and HK\$60 million (2016 — HK\$392 million) respectively, mainly from the sale of remaining units of “M Residences”.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Treasury and securities investments

Treasury and securities investments businesses recorded a total revenue of HK\$9 million during the Year (2016 — HK\$16 million), mainly attributable to the interest and dividend income received from the investment portfolio. The Group cautiously managed its investment portfolio and looked for opportunities to enhance yields and seek gains. The Group has certain direct investments in OUE H-Trust and OUE C-REIT through the Subsidiary in addition to its interests in them through LAAPL. In September 2016, the Subsidiary sold all the stapled securities in OUE H-Trust and units in OUE C-REIT held to independent third parties through married trades for an aggregate consideration of approximately S\$19.2 million and S\$6.1 million, respectively. Such disposals provided a good opportunity for the Group to realise its direct investments in OUE H-Trust and OUE C-REIT. The Group recognised a net gain of HK\$18 million for the Year from the above disposals. Following the improvement in the global stock market in the third quarter of the year 2016, the Group recorded a net fair value gain on its investments under the securities investment segment for the Year as compared to a net fair value loss for 2016. As a consequence, the treasury and securities investments businesses recorded a net profit of HK\$27 million for the Year (2016 — HK\$9 million).

Banking business

The Group has an equity interest of 51 per cent. in The Macau Chinese Bank Limited (“MCB”), a licensed bank in Macau and a joint venture of the Company. MCB maintained strong growth in customer deposits and loans during the Year.

As provided in the shareholders’ agreement entered into between MCB and its shareholders in July 2015 to, amongst other things, regulate the relationships among shareholders of MCB (the “Shareholders’ Agreement”), in the event of the Group holding 20 per cent. or less of the issued share capital of MCB, the Group will be entitled to a put option to require Nam Yue (Group) Company Limited (a shareholder of MCB holding 40 per cent. of its equity interest) to purchase all the remaining shares in MCB held by the Group (the “Put Option”). The Put Option is exercisable at any time during a period of 5 years from the date when the Group’s shareholding interest in MCB becomes 20 per cent. or less. The right to exercise the Put Option survives any termination or expiry of the Shareholders’ Agreement. The fair value of the Put Option was included in “Other financial asset” of the Consolidated Statement of Financial Position.

In December 2016, supplemental agreements were entered into to extend the deadline for obtaining approval from the Monetary Authority of Macao in respect of the proposed disposal by the Group of further 31 per cent. equity interest in MCB from 31st December, 2016 to 30th June, 2017.

The share of profit of joint venture in this segment was HK\$10 million for the Year (2016 — share of loss of HK\$13 million). Due to the change in fair value of the Put Option, this segment reported a segment loss of HK\$4 million for the Year, as compared to a segment profit of HK\$216 million which included the gain on disposal of subsidiary of HK\$202 million for the Last Year.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Corporate finance and securities broking

Lippo Securities Holdings Limited (“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 continuing volatile stock markets in Hong Kong and mainland China make the local operating environment of corporate finance and securities broking business challenging. The outlook for the local stock market will be dependent on the market conditions in mainland China and economic developments globally. This segment registered a total revenue of HK\$16 million for the Year (2016 — HK\$19 million) and the loss of this segment was HK\$11 million for the Year (2016 — HK\$9 million).

On 25th January, 2017, a letter of exclusivity (the “Exclusivity Agreement”) was entered into between Norfyork International Limited (“Norfyork”), a wholly-owned subsidiary of the Company, and Cosenza Investments Limited (“Cosenza”), an independent third party, pursuant to which, in consideration of a non-refundable amount of HK\$130 million paid by Cosenza to the Company (the “Exclusivity Payment”), Norfyork shall grant Cosenza certain exclusivity rights for a period of 18 months from the date of Exclusivity Agreement (the “Exclusivity Period”) in relation to the negotiation of the proposed sale and purchase of a majority stake in LSHL (the “Proposed Transaction”). The Exclusivity Payment is non-refundable and if closing of the Proposed Transaction takes place, it shall be applied against the consideration payable to Norfyork in relation to the Proposed Transaction. However, in the event that no sale and purchase agreement in respect of the Proposed Transaction is entered into on or before the end of the Exclusivity Period, the Exclusivity Payment shall be forfeited and retained by Norfyork and the Company, unless there is a breach by Norfyork and/or the Company of certain undertakings under the Exclusivity Agreement and/or their obligations to use reasonable endeavours to sign the sale and purchase agreement on or before the end of the Exclusivity Period.

Segment assets as at 31st March, 2017 increased to HK\$872 million (2016 — HK\$358 million), mainly due to the client money held in trust by LSHL. As a result, together with the Exclusivity Payment received for the Year, segment liabilities increased to HK\$988 million (2016 — HK\$339 million).

Financial Position

The Group’s financial position remained healthy. As at 31st March, 2017, its total assets amounted to HK\$11.9 billion (2016 — HK\$11.4 billion, restated). Property-related assets amounted to HK\$10.2 billion as at 31st March, 2017 (2016 — HK\$9.8 billion, restated), representing 85 per cent. (2016 — 86 per cent., restated) of the total assets. The Group maintained a strong cash position. Total cash and cash equivalents as at 31st March, 2017 amounted to HK\$537 million (2016 — HK\$904 million). Current ratio as at the end of the reporting period amounted to 1.2 (2016 — 1.9).

As at 31st March, 2017, the Group’s bank and other borrowings amounted to HK\$477 million (2016 — Nil), which were coming from bank loan facilities granted to a subsidiary of the Company. The Company has provided corporate guarantee to the bank for the loans. The bank loans were denominated in Hong Kong dollars, carried interest at floating rate and were not repayable within one year. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure. The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 4.8 per cent. as at 31st March, 2017.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Financial Position *(continued)*

The net asset value attributable to equity holders of the Group remained strong and amounted to HK\$10.0 billion as at 31st March, 2017 (2016 — HK\$10.5 billion, restated). This was equivalent to HK\$5.0 per share (2016 — HK\$5.3 per share, restated).

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, swaps and currency loans would be used to manage the foreign exchange exposure.

To secure bank overdraft facilities made available to the Group's securities broking operation, bank deposits of HK\$1 million were pledged as at 31st March, 2017 (2016 — HK\$1 million). Such overdraft facilities had not been utilised at the end of the reporting period. Aside from the abovementioned, the Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year (2016 — Nil).

The Group's commitments are mainly related to the property development projects and securities investments. The decrease in commitments from HK\$116 million as at 31st March, 2016 to HK\$8 million as at 31st March, 2017 was mainly due to the utilisation of the Exchangeable Loans granted to certain joint ventures of the Group during the Year. 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 70 employees as at 31st March, 2017 (2016 — 95 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Year amounted to HK\$38 million (2016 — HK\$54 million). The Group ensures that its employees are offered competitive remuneration packages. The Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Group.

PROSPECTS

Looking ahead, the global economy is likely to improve gradually. It is expected that the U.S. economy will grow at a faster pace in 2017. The Asian economies are expected to pick up in 2017, supported by the recovery in exports and domestic demand. However, certain uncertainties and downside risks such as Brexit-related negotiations, the rising deglobalisation sentiments and the geopolitical tensions in various regions remain. The Group will continue to be watchful of market developments. The Group will also continue to take a cautious and prudent approach in managing its assets and assessing new investment opportunities to capture growth opportunities and enhance shareholders' value.

BUSINESS STRATEGY

The business activities of the Group are diversified. 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.

Report of the Directors *(continued)*

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, healthcare services, project management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The activities and other particulars of the principal subsidiaries, principal associates and principal joint ventures are set out in the financial statements on pages 129 to 132, page 133 and page 134, respectively.

There were no significant changes in the nature of these activities during the Year.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group and the Company as at 31st March, 2017 are set out in the financial statements on pages 50 to 134.

An interim dividend of HK1 cent per share for the Year (2016 — interim distribution of HK1 cent per share) was paid on 25th January, 2017. The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2016 — HK2 cents per share) amounting to approximately HK\$20 million for the Year (2016 — approximately HK\$40 million). Total dividends for the Year will be HK2 cents per share (2016 — total distributions/dividends were HK3 cents per share) amounting to approximately HK\$40 million (2016 — approximately HK\$60 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 137.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 28 to the financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 29 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in Note 43 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the Year are set out in Note 15 to the financial statements.

DONATIONS

During the Year, the Group made charitable and other donations of HK\$776,000 (2016 – HK\$1,325,000).

Report of the Directors *(continued)*

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

Executive Directors

Dr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, BBS, JP (*Chief Executive Officer*)

Mr. Kee Yee Kor (resigned on 31st July, 2016)

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. Albert Saychuan Cheok

Mr. Victor Ha Kuk Yung

Mr. King Fai Tsui

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

Each of Messrs. Leon Nim Leung Chan and Albert Saychuan Cheok 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 1st January, 2016. Following the expiry of the term under their respective former letter agreements with the Company, each of Messrs. Victor Ha Kuk Yung and King Fai Tsui 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 30th September, 2016, and each of Dr. Stephen Riady and Mr. John Luen Wai Lee 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, 2017. Mr. Kee Yee Kor 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 1st January, 2015 and he resigned as Director of the Company on 31st July, 2016. All the above letter agreements are terminable by either party by giving three months' prior written notice. The term of office of the Directors is also subject to the 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. In addition, each of Dr. Stephen Riady and Mr. John Luen Wai Lee entered into an employment agreement with the Company with effect from 1st January, 2015 in respect of their executive role in the Company, which are terminable by either party by giving three months' prior written notice.

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.

Report of the Directors *(continued)*

DIRECTORS *(continued)*

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

Under the Company's Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. A Directors' and Officers' Liability Insurance is in place to protect 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.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Stephen Riady, aged 57, was appointed a Director of the Company in 1992 and is the Chairman of the board of directors of the Company. Dr. Riady 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. He has been the Executive President of each of the Company, Lippo and LCR since January 2015. 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 directorships in certain subsidiaries of the Company, Lippo and LCR. Dr. Riady is the Executive Chairman of OUE Limited, a public listed company in Singapore. He is also an executive director of Auric Pacific Group Limited ("Auric"), a company formerly listed in Singapore. 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 a son of Dr. Mochtar Riady and Madam Lidya Suryawaty. The interests of Dr. Mochtar Riady and Madam Lidya Suryawaty in the Company are disclosed in the section headed "Interests and short positions of shareholders discloseable under the Securities and Futures Ordinance" below.

Mr. John Luen Wai Lee, BBS, JP, aged 68, was appointed a Director of the Company in 1992 and is the Chief Executive Officer of the Company. Mr. Lee is the Managing Director and the Chief Executive Officer of Lippo and an executive director and the Chief Executive Officer of LCR, as well as an independent non-executive director of New World Development Company Limited and UMP Healthcare Holdings Limited, both are public listed companies in Hong Kong. He is a director of Prime Success Limited and Hennessy Holdings Limited. He was an independent non-executive director of New World China Land Limited, a company formerly listed in Hong Kong. Mr. Lee is an authorised representative of the Company, Lippo and LCR. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and LCR. Mr. Lee is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Pricewaterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Mr. Lee is active in public service. Over the years, he has served as a member or chairman of different government boards and committees. Currently he serves as a Trustee of the Board of the Hospital Authority Provident Fund Scheme, a member of the Appeal Boards Panel (Education) as well as a member of the Public Service Commission.

Report of the Directors *(continued)*

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

Mr. Leon Nim Leung Chan, aged 61, 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. Mr. Chan 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. He is also a non-executive director of Lippo and LCR. Mr. Chan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. He is also a director of a subsidiary of the Company and a member of the supervisory board of a former subsidiary of the Company. Mr. Chan resigned as an independent non-executive director of Midland Holdings Limited, a public listed company in Hong Kong, with effect from 23rd November, 2016. He was an independent non-executive director of PanAsialum Holdings Company Limited, a public listed company in Hong Kong.

Mr. Albert Saychuan Cheok, aged 66, 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 International Standard Resources Holdings Limited and an independent non-executive director of China Aircraft Leasing Group Holdings Limited, both are public listed companies in Hong Kong. He is also the independent non-executive Chairman of Amplefield Limited, a public listed company 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 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. On 17th April, 2017, Mr. Cheok retired as the independent non-executive director and ceased as Chairman of the Board of Bowsprit Capital Corporation Limited, a public listed company in Singapore, which is the Manager of First REIT, a listed healthcare REIT in Singapore. On 28th April, 2017, Mr. Cheok retired as the Chairman and independent non-executive director of Auric, a food group formerly listed in Singapore and resigned as an independent non-executive director of Adavale Resources Limited, a company listed on Australian Securities Exchange. He was the Chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005.

Mr. Victor Ha Kuk Yung, aged 63, 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 each of Lippo and LCR. Mr. Yung is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong. He was an independent non-executive director of Magnum Entertainment Group Holdings Limited (now known as AUX International Holdings Limited), a public listed company in Hong Kong.

Report of the Directors *(continued)*

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

Mr. King Fai Tsui, aged 67, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui 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 40 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 Chartered Accountants Australia and New Zealand 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 an independent non-executive director of Lippo and LCR. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and Nomination Committee of each 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 letter agreements and/or employment agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for those as disclosed herein below:

- (a) the director's fee of Mr. John Luen Wai Lee in an amount of HK\$30,000 for serving as director of a subsidiary of the Company; and
- (b) the director's fee of Mr. Leon Nim Leung Chan in an amount of HK\$30,000 for serving as director of a subsidiary of the Company.

Report of the Directors *(continued)*

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

Dr. Stephen Riady, Mr. John Luen Wai Lee and Mr. Kee Yee Kor (resigned on 31st July, 2016) are entitled to receive salaries, discretionary bonuses and other fringe benefits for the executive role in the Company under their respective employment agreements with the Company.

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

Each of the Directors of the Company is entitled to receive a director's fee from the Company. The director's fee paid to each of the Directors of the Company was HK\$223,200 for the Year. 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 paid to the non-executive Directors for serving as the Chairmen and/or members of various board committees of the Company for the Year were as follows:

	HK\$
Audit Committee	
Chairman	74,400
Member	49,200
Other Committees	
Chairman	49,200
Member	49,200

With effect from 1st April, 2017, the director's fee payable to each of the Directors of the Company was adjusted from HK\$223,200 per annum to HK\$230,400 per annum and the fees payable to the non-executive Directors per annum for serving as Chairmen and/or members of various board committees of the Company were adjusted as follows:

	HK\$
Audit Committee	
Chairman	76,800
Member	50,400
Other Committees	
Chairman	50,400
Member	50,400

Report of the Directors *(continued)*

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, 2017, 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	–	–	1,315,707,842 <i>Note (i)</i>	1,315,707,842	65.84
John Luen Wai Lee	2,000,270	270	–	2,000,540	0.10
King Fai Tsui	600,000	75,000	–	675,000	0.03
Number of ordinary shares in Lippo Limited ("Lippo")					
Stephen Riady	–	–	369,800,219 <i>Notes (i) and (ii)</i>	369,800,219	74.98
John Luen Wai Lee	1,031,250	–	–	1,031,250	0.21
Number of ordinary shares in Lippo China Resources Limited ("LCR")					
Stephen Riady	–	–	6,669,969,389 <i>Notes (i), (ii) and (iii)</i>	6,669,969,389	72.60

Note:

- (i) As at 31st March, 2017, Lippo Capital Limited ("Lippo Capital"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 1,315,707,842 ordinary shares of HK\$1.00 each in, representing approximately 65.84 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, 2017, Lippo Capital, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in, representing approximately 74.98 per cent. of the issued shares of, Lippo.
- (iii) As at 31st March, 2017, Lippo was indirectly interested in 6,669,969,389 ordinary shares in, representing approximately 72.60 per cent. of the issued shares of, LCR.

Report of the Directors *(continued)*

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
Brainy World Holdings Limited	Ordinary shares	1	100
Brimming Fortune Limited	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Gemdale Properties and Investment Corporation Limited	Ordinary shares	4,706,452,795	29.80
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
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 Health Care Limited	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
MG Superteam Pte. Ltd.	Ordinary shares	1	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
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	Ordinary shares	1	100

Report of the Directors *(continued)*

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, 2017, 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.

As at 31st March, 2017, Dr. Stephen Riady was interested in 25,205,072 ordinary shares in Auric, an associated corporation (within the meaning of Part XV of the SFO) of the Company, held by Silver Creek Capital Pte. Ltd. ("Silver Creek"). Dr. Stephen Riady is the beneficial owner of 70 per cent. of the issued shares in Silver Creek. For the reasons mentioned above, through his deemed interests 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 87,132,407 ordinary shares in, representing approximately 69.33 per cent. of the issued shares of, Auric.

As at 31st March, 2017, 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, 2017, 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, 2017, 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.

Report of the Directors *(continued)*

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

As at 31st March, 2017, 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 person, 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 person in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of interests in the issued shares
<i>Substantial shareholders:</i>		
Hennessy Holdings Limited ("Hennessy")	1,315,707,842	65.84
Prime Success Limited ("Prime Success")	1,315,707,842	65.84
Lippo Limited ("Lippo")	1,315,707,842	65.84
Lippo Capital Limited ("Lippo Capital")	1,315,707,842	65.84
Lanius Limited ("Lanius")	1,315,707,842	65.84
Dr. Mochtar Riady	1,315,707,842	65.84
Madam Lidya Suryawaty	1,315,707,842	65.84
<i>Other person:</i>		
Farallon Capital Management, L.L.C. ("Farallon")	199,620,650	9.98

Note:

- Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,315,707,842 ordinary shares of HK\$1.00 each in, representing approximately 65.84 per cent. of the issued shares of, the Company.
- Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.
- Lippo Capital, the holding company of Lippo, together with its wholly-owned subsidiary, J & S Company Limited, owns ordinary shares representing approximately 74.98 per cent. of the issued shares of Lippo.
- 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.
- 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 1,315,707,842 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.

Report of the Directors *(continued)*

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 person in shares of the Company *(continued)*

Note: *(continued)*

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 II, L.P., Farallon Capital Institutional Partners III, 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 199,620,650 ordinary shares of HK\$1.00 each in, representing approximately 9.98 per cent. of the issued shares of, the Company.
7. The percentage of interests of "other person" in the issued shares stated in this section is based on the disclosure form filed with the Company.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st March, 2017, none of the substantial shareholders (as defined under the Listing Rules) or other person, 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, 2017, 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.

Dr. Stephen Riady and Messrs. John Luen Wai Lee, Leon Nim Leung Chan, Victor Ha Kuk Yung and King Fai Tsui 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 By-laws 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.

Report of the Directors *(continued)*

CONNECTED TRANSACTION

Connected transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

On 28th October, 2015, Winwise Holdings Limited (the "Vendor") and 南粵(集團)有限公司 (Nam Yue (Group) Company Limited) (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 416,000 shares of MOP100 each in, representing 16 per cent. of the issued shares of, The Macau Chinese Bank Limited ("MCB"), a company owned as to 51 per cent. by the Vendor, for a consideration of MOP144 million (equivalent to approximately HK\$140 million) (the "Disposal").

Upon signing of the Sale and Purchase Agreement, the Purchaser has fully paid the above consideration as non-refundable deposit, which was used to set off against the outstanding loan amount under the loan agreement dated 27th July, 2015 entered into between, inter alia, the Vendor as borrower and the Purchaser as lender.

The Vendor is a wholly-owned subsidiary of the Company and the Purchaser is a substantial shareholder holding 40 per cent. interest in MCB.

Completion of the Disposal is conditional upon, among others, the obtaining of the approval of Autoridade Monetaria e Cambial de Macau ("AMCM"), the Monetary Authority of Macao, on or before 31st December, 2016. The above disposal of shares to an existing shareholder with strong Macau and Guangdong Provincial connections can help broadening the business horizon and improve the long term growth potential of MCB.

On 28th December, 2016, the Vendor and the Purchaser entered into a supplemental agreement to the Sale and Purchase Agreement to extend the date for obtaining the approval of AMCM from 31st December, 2016 to 30th June, 2017.

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

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

Report of the Directors *(continued)*

DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The Group had granted financial assistance to Fortune Code Limited ("FCL"), a subsidiary of Lippo ASM Asia Property Limited which in turn is a principal joint venture of the Company. The relevant advances disclosed pursuant to Rule 13.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and remained outstanding as at 31st March, 2017 were granted under the following loan agreements:

- (i) a loan agreement dated 29th May, 2015 entered into between FCL and Pacific Landmark Holdings Limited ("PLH"), a subsidiary of the Company, pursuant to which PLH agreed to advance a loan of S\$53,920,839.43 (the "Loan") to FCL;
- (ii) a loan agreement dated 28th August, 2015 entered into between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S\$7,000,000 (the "Interim Loan") to FCL;
- (iii) a loan agreement dated 28th August, 2015 entered into between FCL and PLH pursuant to which PLH agreed to advance a further loan of S\$100,000,000 (the "Further Loan") to FCL;
- (iv) a loan agreement dated 12th October, 2015 entered into between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S\$2,000,000 (the "Second Interim Loan") to FCL;
- (v) a loan agreement dated 30th November, 2015 entered into between FCL and PLH pursuant to which PLH agreed to make available a new loan facility of S\$38,000,000 (the "New Loan") to FCL;
- (vi) a loan agreement dated 19th July, 2016 entered into between FCL and PLH pursuant to which PLH agreed to make available a loan facility of approximately S\$14,959,000 (the "July 2016 Loan") to FCL; and
- (vii) a loan agreement dated 20th October, 2016 entered into between FCL and Polar Step Limited ("PSL"), a subsidiary of the Company, pursuant to which PSL agreed to make available a loan facility in the maximum principal amount of S\$155,000,000 (the "October 2016 Facility") to FCL. The October 2016 Facility was first drawn on 4th January, 2017 (the "October 2016 Facility Drawdown Date") and is unsecured, subject to an interest rate of 2.25 per cent. per annum and repayable on demand.

In addition, an unsecured loan of approximately S\$10,314,000 (the "June 2013 Loan") was advanced by PLH to FCL on 20th June, 2013.

On 20th October, 2016, PLH had assigned all of PLH's rights, interests, benefits and title in the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan to PSL. Pursuant to an amended and restated loan agreement dated 20th October, 2016 entered into between, inter alia, PSL and FCL, with effect from the October 2016 Facility Drawdown Date, the interest rate of each of the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan were amended from 6.5 per cent. per annum to 2.25 per cent. per annum and the repayment date was amended to repayable on demand.

Report of the Directors *(continued)*

DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED *(continued)*

On 4th January, 2017, PLH had assigned all of PLH's rights, interests, benefits and title in the Interim Loan, the Second Interim Loan and the New Loan to PSL. Pursuant to an amended and restated loan agreement dated 4th January, 2017 entered into between, inter alia, PSL and FCL, with effect from 4th January, 2017, the interest rate of each of the Interim Loan, the Second Interim Loan and the New Loan were amended from 6.5 per cent. per annum to 2.25 per cent. per annum and such loans will be repayable on demand.

All the above advances to FCL (the "Advances") are unsecured. As at 31st March, 2017, the balance of the Advances amounted to approximately S\$380,420,000 (equivalent to approximately HK\$2,113,955,000).

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

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 64 per cent. of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 35 per cent. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30 per cent. of the Group's aggregate purchases.

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

Report of the Directors *(continued)*

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and dominant status, the Group aims at delivering constantly high standards of quality in the products and service to its customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/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 26 to 35.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties were identified by the Group, details of which are disclosed in the Company's Risk Management Report as set out on pages 36 to 44. There may be other risks and uncertainties in addition to those shown in the above Report which are not known to the Group or which may not be material now but could turn out to be material in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, social and governance ("ESG") issues are fundamental to the Group's sustainability. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group seeks for continuous improvement in its ESG performance. A separate ESG Report prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be issued and published on the websites of the Company and the Stock Exchange not later than three months after the publication of the Company's annual report.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Report of the Directors *(continued)*

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.

AUDITOR

The financial statements for the Year were audited by 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 Luen Wai Lee
Chief Executive Officer

Hong Kong, 29th June, 2017

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, 2017 (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 the Company has complied with the code provisions of the CG Code for the Year.

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 six members (the composition of the Board is shown on page 11), including two 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 12 to 14). 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.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Messrs. Victor Ha Kuk Yung, King Fai Tsui and 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 Ha Kuk Yung, King Fai Tsui 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 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. 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 letter agreements and/or employment agreements with the Company setting out the key terms and conditions of their respective appointment as directors and/or executive role in 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 Director being present.

Corporate Governance Report *(continued)*

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:

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

* the only general meeting of the Company held during the Year was the annual general meeting held on 1st September, 2016 (the "2016 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 Luen Wai Lee 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 Bye-laws, 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.

Corporate Governance Report *(continued)*

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 (including the executive 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. King Fai Tsui (being the Chairman of the Remuneration Committee), Albert Saychuan Cheok and Victor Ha Kuk Yung, a non-executive Director, namely Mr. Leon Nim Leung Chan 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. Two 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 2016 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 below).

Corporate Governance Report *(continued)*

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 and will at appropriate time set measurable objectives for achieving diversity under 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. King Fai Tsui (being the Chairman of the Nomination Committee), Albert Saychuan Cheok and Victor Ha Kuk Yung, a non-executive Director, namely Mr. Leon Nim Leung Chan 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 forthcoming 2017 annual general meeting of the Company (the "2017 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 12 to 14.

Corporate Governance Report *(continued)*

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

Corporate Governance Report *(continued)*

AUDITOR'S REMUNERATION

Ernst & Young has been appointed by the shareholders annually as the Company's auditor. During the Year, the fees charged to the financial statements of the Group for the statutory audit and non-statutory audit services provided by Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditor nationally and internationally) amounted to approximately HK\$2.9 million (2016 — HK\$2.7 million) and approximately HK\$0.2 million (2016 — HK\$0.2 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 risk management, 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. King Fai Tsui (being the Chairman of the Audit Committee), Albert Saychuan Cheok and Victor Ha Kuk Yung and a non-executive Director, namely Mr. Leon Nim Leung Chan. 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 auditor shall normally attend the meetings.

During the Year, the Audit Committee discharged its duties by reviewing and/or monitoring financial, audit, risk management, internal control and corporate governance matters of the Group, including management accounts, financial statements, interim and annual reports, corporate governance report, risk management report and internal audit reports and discussing with executive Directors, management, external auditor and internal audit department (the "IA Department") regarding financial matters, corporate governance policies and practices and internal audit, risk management and internal control matters of the Group, and making recommendations to the Board including, inter alia, financial-related matters. The Audit Committee reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report, the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements and the code of conduct applicable to employees and Directors. The Audit Committee also recommended to the Board that, subject to the shareholders' approval at the 2017 AGM, Ernst & Young be re-appointed as the Company's external auditor for the ensuing year; and reviewed the fees charged by the Company's external auditor.

Corporate Governance Report *(continued)*

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility for maintaining adequate systems of risk management and internal control and is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems.

During the Year, a review of the effectiveness of the Group's risk management and internal control systems covering the risk management functions and all material controls, including financial, operational and compliance controls was conducted, details of which are set out in the Risk Management Report on pages 36 to 44. 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.

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 Board and the Audit Committee will actively take actions based on the findings from the IA Department. The IA Department is also responsible for providing improvement recommendations to different operation teams and departments so as to minimise the risk exposure in the future. Ongoing enhancement and revision on the risk management and internal control systems will have to be made from time to time so as to cope with the growth of the Group.

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

Corporate Governance Report *(continued)*

COMPANY SECRETARY

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. (Note: The Company Secretary was changed from Mr. Andrew Tat Kwong Hau to Mr. Kelsch Woon Kun Wong on 24th July, 2017.)

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 auditor 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 new principal place of business of the Company at 40th Floor, Tower Two, 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 new principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

Corporate Governance Report *(continued)*

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. An Inside Information Policy was adopted by the Board 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 the Company's Memorandum of Association and Bye-laws 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, 2017, 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 auditor is 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 auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 45 to 49.

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 makes donations for community well-being from time to time.

Risk Management Report

A NEW STEP TO RISK MANAGEMENT

In 2016, the Group has taken a significant step to improve the existing risk management system. Risk is inevitable in the Group's business and there are more uncertainties nowadays due to the fast changing market environment. The Group recognizes that an effective risk management system is the key for achieving its strategic and business goals. Whilst the Group's portfolio contains a wide variety of entities in different regions and industries, the Board of Directors of the Company (the "Board") has initiated to revamp and develop a systematic risk management framework to exploit the value of risk management.

The new risk management framework is tailor-designed to commensurate with the nature of the Group's business and structure with reference to ISO31000 risk management and COSO enterprise risk management standards, which comprises 3 key components:

1. Risk Management Strategy;
2. Risk Governance Structure; and
3. Risk Management Process.

RISK MANAGEMENT STRATEGY

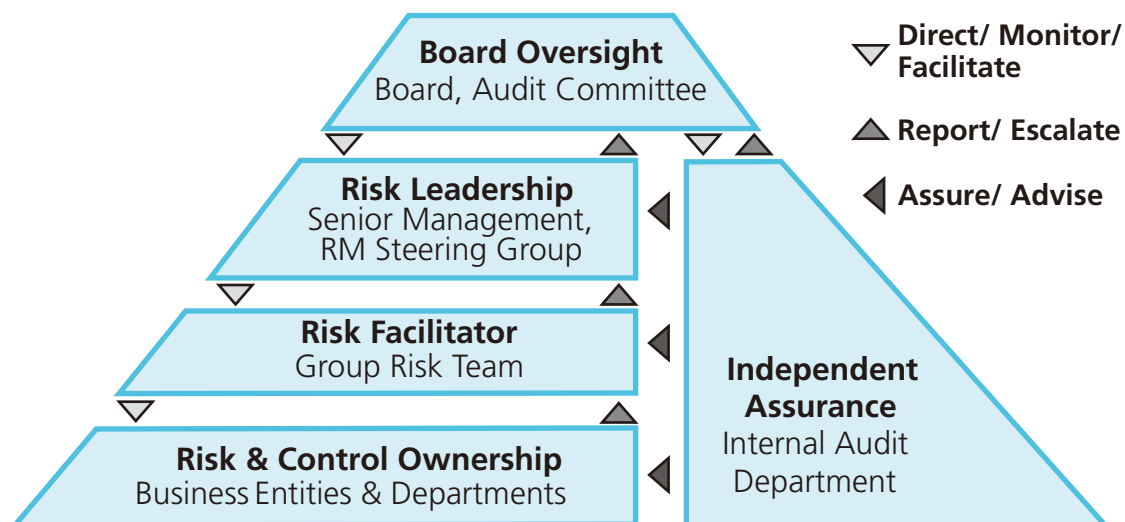
The Group emphasizes that risk management responsibility resides at all levels across the Group whilst the tone at the top enables the Group to foster the risk culture. The Audit Committee of the Company has been delegated with the authority and responsibility to oversee the risk management and internal control systems of the Group. Design and implementation of the risk management system are led by senior management of the Group. Also, the risk management system is integrated into various parts of the business and day-to-day operation processes instead of a standalone program.

More specifically, the Group aims to achieve the following objectives through the risk management activities:

- Promote corporate governance with a sound system of internal controls
- Embed a structured and disciplined approach to identify risks together with the basis of likelihood and potential impact on the achievement of the Group's business objectives
- Enable the Group to strike the right balance between risks and rewards by making risk informed decisions in accordance with the Group's business objectives and risk appetite
- Ensure the adequacy and effectiveness of risk controls in place to manage key risks
- Ensure compliance with the relevant legal and regulatory requirements

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE



The Group’s risk governance structure provides the foundation for risk oversight and escalation. The roles and responsibilities of each layer are clearly established as to ensure a thorough understanding among all the personnel within the Group.

The key roles and responsibilities of each layer are listed below:

Board Oversight

The Board

- Take the overall responsibility for the risk management system

Audit Committee empowered by the Board

- Determine the Group’s overall risk appetite and establish appropriate culture throughout the Group for effective risk governance
- Review and approve risk criteria adopted by senior management to ensure that they are aligned with the Group’s risk appetite
- Oversee the risk exposure of various types including the mitigation strategies
- Provide oversight on the risk management and internal control systems and review their adequacy and effectiveness at least on an annual basis

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk Leadership

Senior Management

- Provide overall leadership in risk management activities, via the Risk Management Steering Group (“RM Steering Group”)

RM Steering Group led by Senior Management

- Establish risk criteria
- Assess the group level material risks and review the entity level risk profile periodically
- Determine and assign sufficient resources to implement the risk management framework and manage risks within the Group
- Update periodically with the Audit Committee the Group’s risk profile and status of risk treatment plans for key business risks
- Ensure the annual review of adequacy and effectiveness of the risk management system

Risk Facilitator

Group Risk Team

- Implement the Group’s risk management policies and plans formulated by RM Steering Group
- Develop necessary tools and templates for risk assessment, risk treatment plan and risk reporting
- Cascade and facilitate the risk management process and activities across all business entities and departments
- Follow-up on the implementation of risk treatment plans and ensure the internal controls and risk mitigations are properly designed and implemented

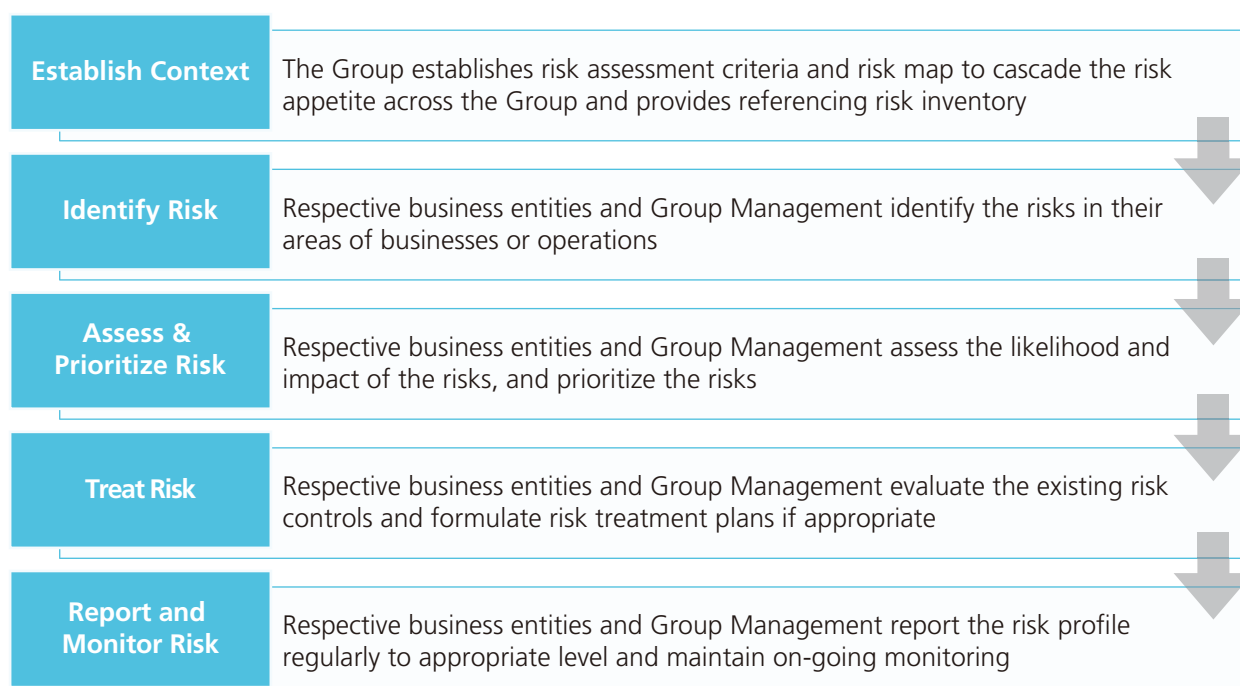
Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk and Control Ownership
<p>Business Entities and Departments</p> <ul style="list-style-type: none"> Identify and review changes in risks in line with changes in the business environment Analyze risks and identify appropriate controls or risk treatment plans to address the risks Responsible for risk management activities and reporting in their businesses or operations Perform control self-assessment activities
Independent Assurance
<p>Internal Audit Department</p> <ul style="list-style-type: none"> Conduct audit projects on various entities and functions across the Group and provide independent review on (a) the adequacy and effectiveness of risk management framework; and (b) the adequacy and effectiveness of internal controls in the business operations

RISK MANAGEMENT PROCESS



The Group’s risk management process provides a structured and systematic approach to manage risks. The following diagram illustrates the key activities in the process.



Risk Management Report *(continued)*



MATERIAL RISKS

In 2016, 9 material risks have been identified at Group level throughout the risk review process. These risks are identified by both top down approach from the Group's perspective and bottom up approach taking into account the risk profile escalated by the underneath business entities.

Risk	Key Controls	Risk Trend
Strategic Risk – Risk resulting from suboptimal determination and execution of business strategy or changes in external business environment, which may impact the Group in long term		
Strategic Direction and Execution Risk The risk of the Group and/or underneath business entities failing to develop and deliver effective long-term strategies in achieving their business objectives	<ul style="list-style-type: none"> • Periodic planning exercises between the Group's Chief Executive Officer and entities' senior management to discuss, analyze and set their strategic directions • Regular meetings amongst Board members and senior management to review the execution of strategic plan • Proactive environmental scans on various business markets 	
Investment Risk The risk of poor performance of the investment portfolio due to different factors such as the type, the market environment, the geographic location of the investment or the business model, leadership of the invested companies, etc.	<ul style="list-style-type: none"> • Adequate risk assessment in the investment decision process • Set up of investment committee and authority matrix for the approval of investment • Well-diversified investment portfolio across different industries and geographic locations • Certain limits set for specific types of investment • Regular Board review on the progress and performance of the investment 	




Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

Risk	Key Controls	Risk Trend
Strategic Risk – Risk resulting from suboptimal determination and execution of business strategy or changes in external business environment, which may impact the Group in long term		
Joint Venture Partnering Risk The risk of ineffective or inefficient joint venture partnering due to incompatible partners, unexpected exit of partners, unaligned partners' interest with the Group's, partners encountering difficulties to fulfill their obligation under the joint venture, etc.	<ul style="list-style-type: none"> • Negotiation of agreements to clearly define the governance structure, rights, roles and responsibilities of different parties • Enhanced due diligence before entering into the partnership • Development of exit strategy • Regular review and monitoring of the joint venture status 	
Business Market Risk The risk of competitiveness and/or profitability of the underneath entities impaired by adverse market conditions such as excess supply, change of customers' preferences, increase in cost of production, governmental intervention, etc.	<ul style="list-style-type: none"> • Well-diversified Group portfolio across different industries and geographic locations In particular, for applicable entities, <ul style="list-style-type: none"> • Regular market researches and studies • Effective adjustment of product or service prices • Continuous product or service development and improvement 	



Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

Risk	Key Controls	Risk Trend
Operational Risk – Risk of financial losses and/or business instability arising from failures in internal controls, operational processes, or in the systems that support them		
Manpower and Retention Risk The risk of inability to attract and retain key personnel and talents with appropriate and required skills, experience and competence	<ul style="list-style-type: none"> Regular benchmarking to maintain attractive remuneration package to suitable candidates and personnel 	
Business Disruption Risk The risk of interruption to operations due to fire, natural disaster, system downtime, equipment breakdown, power disruption, unexpected supply shortage, etc.	<ul style="list-style-type: none"> Comprehensive insurance coverage on different disaster scenarios In particular, for applicable entities, <ul style="list-style-type: none"> Comprehensive vendor assessment and selection process Well-established business continuity plan with training and periodic disaster recovery drills 	
Information Technology Risk The risk of system failure or security breach which leads to adverse impact on the integrity, accuracy and completeness of data and information	<ul style="list-style-type: none"> Regular review and testing on the information technology ("IT") system by external professional Regular system data backup In particular, for applicable entities, <ul style="list-style-type: none"> Daily off site backup of system data User requirement checking and acceptance testing for any system conversion Proactive IT system enhancement to ensure the robustness of IT security, integrity and reduce the impact of system failure and cyberattack 	

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

Risk	Key Controls	Risk Trend
Compliance Risk – Risk of non-compliance with regulatory bodies and local government units, or any related third party legal action/disputes		
Financial Institution Compliance Risk The risk of non-compliance with or breach of financial regulation which may lead to financial loss and reputational damage	<ul style="list-style-type: none"> Group level oversight of entities' compliance programs including the program status and progress of actions In particular, for applicable entities, <ul style="list-style-type: none"> Effective compliance functions in different areas enforcing the compliance of internal policies and procedures for sales practices, staff dealing, know your customer control, anti-money laundering control, etc. Regular review on the regulatory change and agenda 	
Financial Risk – Risk resulting from financial and/or reporting activities and/or use of financial instruments		
Credit Risk The risk of default by a counterparty on an obligation in the lending, investment, business and other activities undertaken by the Group	<ul style="list-style-type: none"> Well established credit management and guidelines for debt investments such as credit assessment, exposure limit, etc. In particular, for applicable entities, <ul style="list-style-type: none"> Well established credit approval and monitoring mechanism, loan classification criteria and provision policy for banking and margin lending 	



Risk level has increased



Risk level has remained steady

Risk Management Report *(continued)*

REVIEW OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Within the year of reporting, the Board, with the effort of the Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems based on:

1. Regular risk management progress reports on the status of implementation;
2. Regular risk reports on the Group material risks and entities' risk profile including the key mitigations;
3. Regular audit report by the Internal Audit Department for the audit evaluation of the internal controls and any key findings with the respective recommendations;
4. Consideration on the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions;
5. Consideration on the scope and quality of management's ongoing monitoring of the systems; and
6. Consideration on the extent and frequency of communication and reporting to the Board and Audit Committee on the risk management results and risk issues.

As a result of the review, the risk management and internal control systems are considered to be effective and adequate for the year ended 31st March, 2017. Still, it should be acknowledged that the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Major Activities of the Year

- ✓ Developed the new risk management framework and respective manual
- ✓ Established the risk assessment criteria and risk map to cascade the Group's risk appetite for risk assessment
- ✓ Designed risk register
- ✓ Conducted risk workshops to equip necessary risk knowledge for the risk owners and representatives
- ✓ Rolled out the risk management process at both Group and entity levels
- ✓ Reviewed Group material risks and entity level risk profile and the respective mitigation controls

Independent Auditor's Report



To the shareholders of Hongkong Chinese Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 134, which comprise the consolidated statement of financial position as at 31st March, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report *(continued)*

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of interest in a joint venture</i></p> <p>The carrying amount of the Group's interests in joint ventures amounted to HK\$9,721 million as at 31st March, 2017. The interests in joint ventures were stated at the Group's share of net assets under the equity method of accounting, less any impairment losses at the end of each reporting period.</p> <p>The carrying amount of the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"), a material joint venture of the Group, amounted to HK\$9,474 million as at 31st March, 2017 and the share of its loss for the year ended 31st March, 2017 amounted to HK\$21.9 million. LAAPL has a controlling interest in OUE Limited ("OUE"), a listed company in Singapore which is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors.</p> <p>The impairment assessment of interests in LAAPL and its subsidiaries is significant to our audit due to (i) the significance of the carrying amount as at 31st March, 2017; and (ii) the determination of the recoverable amount of the interest in LAAPL requires significant management's judgement and estimate.</p> <p>Related disclosures are included in Notes 3 and 17 to the consolidated financial statements.</p>	<p>We assessed management's process for identifying the objective evidence of impairment in respect of the interest in LAAPL. We evaluated management's comparison of the carrying amount and the recoverable amount of LAAPL. We evaluated and tested the assumptions and methodologies used by management in their impairment assessment. We assessed the cash flow projection of LAAPL by making reference to the historical trend analyses. For the discount rate applied to the cash flow projection, we assessed the inputs used to determine the rate with reference to market data. We involved our internal valuation specialists to assist us in testing the discount rate adopted in the cash flow projection.</p>
<p><i>Fair value of investment properties</i></p> <p>As at 31st March, 2017, investment properties measured at fair values amounted to approximately HK\$111.2 million, with a corresponding net fair value loss of HK\$2.2 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties.</p> <p>Related disclosures are included in Notes 3 and 15 to the consolidated financial statements.</p>	<p>We considered the objectivity, independence and competency of the valuers. We assessed the valuation methodologies adopted and assumptions used by the valuers, and performed market value benchmarking against comparable properties. We involved our internal valuation specialists to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group.</p>

Independent Auditor's Report *(continued)*

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report *(continued)*

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

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

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

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

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

Independent Auditor's Report *(continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yat Kin.

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

29th June, 2017

Consolidated Statement of Profit or Loss

For the year ended 31st March, 2017

	Note	2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Revenue	5	216,404	1,326,874
Cost of sales	6	(46,838)	(827,557)
Gross profit		169,566	499,317
Administrative expenses		(60,987)	(78,929)
Other operating expenses		(52,262)	(70,877)
Gain/(Loss) on disposal of subsidiaries	33	(1,823)	202,355
Net fair value gain/(loss) on investment properties		(2,190)	29,193
Net fair value gain on financial instruments at fair value through profit or loss		15,290	6,461
Finance costs	9	(3,700)	(417)
Share of results of associates		(878)	8,450
Share of results of joint ventures	10	(13,213)	(292,473)
Profit before tax	6	49,803	303,080
Income tax	11	(5,451)	(71,653)
Profit for the year		44,352	231,427
Attributable to:			
Equity holders of the Company		44,996	229,455
Non-controlling interests		(644)	1,972
		44,352	231,427
		HK cents	HK cents (Restated) ⁽¹⁾
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	2.3	11.5

⁽¹⁾ Refer to Note 42

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2017

	Note	2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Profit for the year		44,352	231,427
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		(1,488)	(1,288)
Adjustments for disposal		1,509	70
Adjustment for impairment losses		1,200	–
Income tax effect		–	557
		1,221	(661)
Exchange differences on translation of foreign operations		(45,989)	21,485
Adjustments relating to disposal of subsidiaries:			
Exchange differences on translation of foreign operations		(2)	202
Available-for-sale financial assets		–	(2,715)
Income tax effect		–	327
	33	(2)	(2,186)
Share of other comprehensive loss of joint ventures		(327,119)	(176,729)
Share of other comprehensive loss of an associate		(42)	(43)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods and other comprehensive loss for the year, net of tax		(371,931)	(158,134)
Total comprehensive income/(loss) for the year		(327,579)	73,293
Attributable to:			
Equity holders of the Company		(321,789)	76,809
Non-controlling interests		(5,790)	(3,516)
		(327,579)	73,293

⁽¹⁾ Refer to Note 42

Consolidated Statement of Financial Position

As at 31st March, 2017

	Note	2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Non-current assets			
Fixed assets	14	41,297	48,566
Investment properties	15	111,160	119,340
Interests in associates	16	427,158	456,824
Interests in joint ventures	17	9,720,889	9,212,153
Available-for-sale financial assets	18	4,117	6,039
Other financial asset	23	21,437	25,295
		10,326,058	9,868,217
Current assets			
Properties held for sale		94,600	141,350
Properties under development	19	28,846	28,613
Loans and advances	20	19,656	15,917
Debtors, prepayments and deposits	21	53,327	143,949
Financial assets at fair value through profit or loss	22	9,141	44,173
Tax recoverable		25	13
Client trust bank balances		845,921	295,784
Restricted cash	24	1,067	1,004
Cash and cash equivalents		536,878	904,015
		1,589,461	1,574,818
Current liabilities			
Creditors, accruals and deposits received	25	1,294,070	698,460
Tax payable		68,959	114,357
		1,363,029	812,817
Net current assets		226,432	762,001
Total assets less current liabilities		10,552,490	10,630,218

⁽¹⁾ Refer to Note 42

Consolidated Statement of Financial Position (continued)

As at 31st March, 2017

	Note	2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Non-current liabilities			
Bank and other borrowings	26	476,667	–
Deferred tax liabilities	27	20,405	23,526
		497,072	23,526
Net assets			
Equity			
Equity attributable to equity holders of the Company			
Share capital	28	1,998,280	1,998,280
Reserves	30	8,013,912	8,528,831
		10,012,192	10,527,111
Non-controlling interests		43,226	79,581
		10,055,418	10,606,692

⁽¹⁾ Refer to Note 42

Stephen Riady
Director

John Luen Wai Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2017

	Attributable to equity holders of the Company												Non-controlling interests	Total equity
	Share capital	Share premium account	Capital redemption reserve	Legal reserve	Regulatory reserve	Investment revaluation reserve	Other asset revaluation reserve	Hedging reserve	Exchange equalisation reserve	Distributable reserves	Total			
			(Note 30(c))	(Note 30(d))	(Note 30(e))			(Note 30(f))		(Note 30(b))				
	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, 2016														
As previously reported	1,998,280	92,775	22,144	-	-	285,111	-	(28,509)	407,001	7,724,198	10,501,000	79,581	10,580,581	
Prior year adjustment (Note 42)	-	-	-	-	-	-	-	-	587	25,524	26,111	-	26,111	
At 1st April, 2016 (restated)	1,998,280	92,775	22,144	-	-	285,111	-	(28,509)	407,588	7,749,722	10,527,111	79,581	10,606,692	
Profit for the year	-	-	-	-	-	-	-	-	-	44,996	44,996	(644)	44,352	
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	-	-	-	-	-	(1,488)	-	-	-	-	(1,488)	-	(1,488)	
Adjustments for disposal	-	-	-	-	-	1,509	-	-	-	-	1,509	-	1,509	
Adjustment for impairment losses	-	-	-	-	-	1,200	-	-	-	-	1,200	-	1,200	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(40,843)	-	(40,843)	(5,146)	(45,989)	
Adjustments relating to disposal of subsidiaries	-	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)	
Share of other comprehensive income/(loss) of joint ventures	-	-	-	-	-	(18,348)	-	12,816	(321,587)	-	(327,119)	-	(327,119)	
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(42)	-	(42)	-	(42)	
Total comprehensive income/(loss) for the year	-	-	-	-	-	(17,127)	-	12,816	(362,474)	44,996	(321,789)	(5,790)	(327,579)	
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	-	-	-	-	(133,181)	(133,181)	-	(133,181)	
Disposal of subsidiaries with loss of control (Note 33)	-	-	-	-	-	-	-	-	-	-	-	4,298	4,298	
2015/2016 final dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(39,966)	(39,966)	-	(39,966)	
2016/2017 interim dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)	
Return of capital to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(34,863)	(34,863)	
At 31st March, 2017	1,998,280	92,775	22,144	-	-	267,984	-	(15,693)	45,114	7,601,588	10,012,192	43,226	10,055,418	
At 1st April, 2015	1,998,280	92,775	22,144	20,114	2,691	460,839	36,074	6,540	330,547	7,454,765	10,424,769	107,099	10,531,868	
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	229,455	229,455	1,972	231,427	
Other comprehensive income/(loss) for the year:														
Available-for-sale financial assets:														
Changes in fair value	-	-	-	-	-	(1,288)	-	-	-	-	(1,288)	-	(1,288)	
Adjustments for disposal	-	-	-	-	-	70	-	-	-	-	70	-	70	
Income tax effect	-	-	-	-	-	557	-	-	-	-	557	-	557	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	26,973	-	26,973	(5,488)	21,485	
Adjustments relating to disposal of a subsidiary	-	-	-	-	-	(2,388)	-	-	202	-	(2,186)	-	(2,186)	
Share of other comprehensive income/(loss) of joint ventures (restated)	-	-	-	-	-	(179,067)	-	(39,605)	41,943	-	(176,729)	-	(176,729)	
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(43)	-	(43)	-	(43)	
Total comprehensive income/(loss) for the year (restated)	-	-	-	-	-	(182,116)	-	(39,605)	69,075	229,455	76,809	(3,516)	73,293	
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	6,388	-	4,556	7,966	66,572	85,482	-	85,482	
Transfer of reserves upon disposal of a subsidiary	-	-	-	(20,114)	(2,691)	-	(36,074)	-	-	58,879	-	-	-	
2014/2015 final distribution declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(39,966)	(39,966)	-	(39,966)	
2015/2016 interim distribution declared and paid to shareholders of the Company	-	-	-	-	-	-	-	-	-	(19,983)	(19,983)	-	(19,983)	
Dividend declared and paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(24,002)	(24,002)	
At 31st March, 2016 (restated)	1,998,280	92,775	22,144	-	-	285,111	-	(28,509)	407,588	7,749,722	10,527,111	79,581	10,606,692	

Consolidated Statement of Cash Flows

For the year ended 31st March, 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	204,787	669,370
Interest received		5,176	28,055
Dividends received from:			
Joint ventures		5,557	5,742
Investments		4,895	3,228
Taxes refunded/(paid):			
Hong Kong		–	182
Overseas		(51,201)	(247,600)
Net cash flows from operating activities		169,214	458,977
Cash flows from investing activities			
Proceeds from disposal of available-for-sale financial assets		397	40,398
Payments to acquire:			
Fixed assets		(1,195)	(1,418)
Available-for-sale financial assets		–	(16,328)
Repayment from associates		13,595	–
Advances to associates		(43)	(58)
Repayment from joint ventures		2,738	2,116
Advances to joint ventures		(1,020,002)	(1,218,800)
Acquisition of subsidiaries	32	3,834	–
Disposal of subsidiaries	33	(3,501)	108,797
Exclusivity payment received	25	110,000	20,000
Net cash flows used in investing activities		(894,177)	(1,065,293)
Cash flows from financing activities			
Finance costs paid		(26,918)	(1,328)
Drawdown of bank and other borrowings (Note)		600,000	45,000
Repayment of bank and other borrowings (Note)		(100,000)	(509,542)
Advances from shareholders of a joint venture	34(b)	–	270,630
Dividends/Distributions paid to shareholders of the Company		(59,949)	(59,949)
Dividend paid to non-controlling shareholder of a subsidiary		–	(24,002)
Return of capital to a non-controlling shareholder of a subsidiary		(34,863)	–
Decrease/(Increase) in restricted cash		(63)	69,095
Net cash flows from/(used in) financing activities		378,207	(210,096)
Net decrease in cash and cash equivalents		(346,756)	(816,412)
Cash and cash equivalents at beginning of year		904,015	1,787,780
Exchange realignments		(20,381)	(67,353)
Cash and cash equivalents at end of year		536,878	904,015

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.

Notes to the Financial Statements

1. CORPORATE AND GROUP 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, healthcare services, 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, a company 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"), a company incorporated in the Cayman Islands.

Details of the principal subsidiaries are set out on pages 129 to 132.

2.1 BASIS OF PREPARATION

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, 2017. 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:

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

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.

Notes to the Financial Statements *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 statement:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant impact on the Group's financial performance and financial position for the current and prior years.

Notes to the Financial Statements *(continued)*

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:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ²
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i> ¹
Amendments to HKFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ²
Amendments to HKAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investment in Associates and Joint Ventures</i> ²
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ²

¹ Effective for annual periods beginning on or after 1st January, 2017

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after 1st January, 2019

⁴ No mandatory effective date yet determined but available for adoption

Other than as disclosed below, the Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no significant impact on the financial performance and the financial position of the Group.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st April, 2018. During the year, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Besides, certain available-for-sale financial assets issued by private entities are currently measured at cost less impairment because the range of reasonable fair value estimates is so significant. Such available-for-sale financial assets will be measured at fair value through other comprehensive income upon adoption of HKFRS 9.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record twelve-month expected losses on all trade receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1st April, 2018.

During the year, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15 which is subject to changes arising from a more detailed ongoing analysis. Contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition. The Group and some of its associates and joint ventures are engaged in property development. Certain costs incurred in fulfilling a contract which are currently expensed may need to be capitalised as an asset and will be amortised to match the transfer of the development property to the customer under the contract.

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1st April, 2019.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31st March, 2017, the Group had non-cancellable operating lease commitments of HK\$6,123,000 (Note 36(b)). Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Interests in associates and joint ventures *(continued)*

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 assets 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.

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.

(b) 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 is measured at fair value with changes in fair value either recognised in profit or loss. 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) 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 operation disposed of and the portion of the CGU retained.

(c) 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) 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, described as follows, 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.

(d) 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 under development and properties held for sale), 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) 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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. When an item of fixed assets is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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.

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	Over the remaining lease terms
Leasehold improvements	Over the unexpired terms of the leases or useful life, whichever is shorter
Furniture, fixtures and equipment	10 per cent. to 33 $\frac{1}{3}$ per cent.
Motor vehicles	20 per cent. to 25 per cent.
Yacht	10 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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.

(h) 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 operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. 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 positive 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.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments and other financial assets *(continued)*

Subsequent measurement (continued)

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 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 from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets *(continued)*

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).

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 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets *(continued)*

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 — is removed from other comprehensive income and 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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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 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 instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or 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 financial liabilities included in creditors, accruals and deposits received and bank and other borrowings.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) 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.

(n) 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.

(o) Derivative financial instruments

Initial recognition and subsequent measurement

When appropriate, the Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond twelve months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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.

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 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) **Income tax** *(continued)*

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, the carryforward of unused tax credits and any 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, 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 interests 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.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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, on a 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 the relevant services are rendered, 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 participates in the national pension schemes as defined by the laws of the countries in which it has operations. In Hong Kong, 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 or to refund to the Group, 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.

The Singapore companies in the Group make contributions to the Central Provident Fund Scheme ("CPF") in Singapore, a defined contribution pension scheme. Contributions to the CPF are recognised as an expense in the statement of profit or loss in the period in which the related service is performed.

Share-based payments

The Company operates a 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 in employee benefit expense, 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Dividends and distributions

Final dividends and distributions are recognised as a liability when they are approved by the shareholders in a general meeting.

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 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 arising on settlement or translation of monetary items 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 profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements 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.

Notes to the Financial Statements *(continued)*

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. The Group may provide ancillary services to the occupants of properties it holds. 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. The property is an investment property only if the ancillary services are insignificant to the arrangement as a whole.

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(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.

The carrying amount of investment properties as at 31st March, 2017 was HK\$111,160,000 (2016 — HK\$119,340,000). Further details are disclosed in Note 15 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.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale. Management makes assessment about the decline in value of available-for-sale financial assets to determine whether there is an impairment that should be recognised in the statement of profit or loss. Impairment losses of HK\$1,200,000 (2016 — Nil) were provided for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets as at 31st March, 2017 was HK\$4,117,000 (2016 — HK\$6,039,000).

Notes to the Financial Statements *(continued)*

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 investments relating to 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; and
- (g) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of project and fund management and investment advisory services.

Management monitors the results of the Group's 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) and comprises segment results of the Company and its subsidiaries, the Group's share of results of associates and joint ventures.

Segment results are measured consistently with the Group's profit/(loss) before tax except that the Group's share of results of associates and joint ventures, unallocated corporate expenses and certain finance costs are excluded from such measurement.

Segment assets exclude interests in associates and joint ventures, 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.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31st March, 2016 (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	Other HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	51,147	1,225,954	10,836	5,149	18,603	8,062	7,123	–	1,326,874
Inter-segment	–	–	–	–	–	–	464	(464)	–
Total	51,147	1,225,954	10,836	5,149	18,603	8,062	7,587	(464)	1,326,874
Segment results	75,439	391,781	10,638	(1,448)	(8,799)	216,085	(5,440)	(464)	677,792
						(Note(b))			
Unallocated corporate expenses									(90,301)
Finance costs									(388)
Share of results of associates	–	8,534	–	–	–	–	(84)	–	8,450
Share of results of joint ventures	(280,764)	953	–	–	–	(12,662)	–	–	(292,473)
Profit before tax									303,080
Segment assets	151,988	254,984	847,595	68,979	357,768	25,295	8,939	–	1,715,548
Interests in associates	6,465	450,341	–	–	–	–	18	–	456,824
Interests in joint ventures	8,967,010	9,746	–	–	–	235,397	–	–	9,212,153
Unallocated assets									58,510
Total assets									11,443,035
Segment liabilities	4,942	48,274	–	–	339,080	270,630	5,460	–	668,386
Unallocated liabilities									167,957
Total liabilities									836,343
Other segment information:									
Capital expenditure (Note (a))	–	8	–	–	12	999	55	–	1,074
Depreciation	(92)	(156)	–	–	(1,095)	(504)	(65)	–	(1,912)
Interest income	41,144	–	10,836	1,921	–	6,791	276	–	60,968
Finance costs	–	–	–	–	(29)	–	–	–	(29)
Gain on disposal of a subsidiary	–	–	–	–	–	202,355	–	–	202,355
Gain on disposal of available-for-sale financial assets	–	–	–	1,872	–	–	–	–	1,872
Write-back of provision/(Provisions) for impairment losses on:									
A joint venture	–	2,076	–	–	–	–	–	–	2,076
Properties under development	–	(134)	–	–	–	–	–	–	(134)
Properties held for sale	310	–	–	–	–	–	–	–	310
Loans and receivables	–	–	–	–	(282)	(779)	–	–	(1,061)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	(6,248)	–	12,709	–	–	6,461
Net fair value gain on investment properties	29,193	–	–	–	–	–	–	–	29,193
Unallocated:									
Capital expenditure (Note (a))									344
Depreciation									(6,055)
Finance costs									(388)

Note:

- (a) Capital expenditure includes additions to fixed assets.
- (b) The amount in 2016 included gain on disposal of a subsidiary of HK\$202,355,000.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
Hong Kong	17,060	24,235
Macau	96,822	1,213,943
Mainland China	18,790	37,301
Republic of Singapore	80,567	46,922
Other	3,165	4,473
	216,404	1,326,874

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

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000 (Restated)
Hong Kong	1,528	2,426
Macau	245,024	235,397
Mainland China	75,609	83,119
Republic of Singapore	9,935,872	9,472,327
Other	42,471	43,614
	10,300,504	9,836,883

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

Information about major customers

For the year ended 31st March, 2017, revenue of approximately HK\$74,819,000 and HK\$28,023,000 was derived from interest income from a single customer in the property investment segment and sales by the property development segment to a single customer, respectively. No revenue from a single customer accounted for 10 per cent. or more of the total revenue for the year ended 31st March, 2016.

Notes to the Financial Statements *(continued)*

5. REVENUE

Revenue 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 then 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 is as follows:

	2017 HK\$'000	2016 HK\$'000
Property rental income	6,510	10,003
Sales of properties <i>(Note (a))</i>	107,507	1,225,954
Interest income	79,568	54,177
Dividend income	4,895	3,228
Corporate finance and securities broking	15,691	18,603
Banking business <i>(Note (b))</i>	–	8,062
Other	2,233	6,847
	216,404	1,326,874

Note:

- (a) The revenue mainly came from sales of properties of the property development project in Macau which was completed during the year ended 31st March, 2016.
- (b) Revenue attributable to the banking business for the year ended 31st March, 2016 represented 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.

In July 2015, the Group completed the disposal of an aggregate of 49 per cent. equity interest in MCB (the "First Disposal") and entered into a shareholders' agreement with the purchasers and MCB (the "Shareholders' Agreement") to, among other things, regulate the relationship among shareholders of MCB. As a result of the change of composition of the board of directors and the quorum of directors' meeting, MCB has become a joint venture of the Group since then. Revenue attributable to the banking business up to completion of the First Disposal is analysed as follows:

	2016 HK\$'000
Interest income	6,791
Commission income	1,271
	8,062

Notes to the Financial Statements *(continued)*

6. PROFIT BEFORE TAX

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

	2017 HK\$'000	2016 HK\$'000
Cost of sales:		
Cost of properties sold <i>(Note (a))</i>	(36,940)	(815,243)
Other	(9,898)	(12,314)
	(46,838)	(827,557)
Employee benefit expense <i>(Note (b))</i> :		
Wages and salaries	(36,275)	(50,702)
Retirement benefit costs <i>(Note (c))</i>	(2,059)	(3,400)
Total staff costs	(38,334)	(54,102)
Interest income:		
Available-for-sale financial assets	–	1,921
Loans and advances	75,232	41,420
Banking business	–	6,791
Other	4,336	10,836
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	19,148	(6,248)
Derivative financial instrument	(3,858)	12,709
Gain/(Loss) on disposal of available-for-sale financial assets	(1,540)	1,872
Gain on bargain purchase <i>(Note (d))</i>	43	–
Write-back of provision/(Provisions) for impairment losses on <i>(Note (d))</i> :		
A joint venture	2,738	2,076
Available-for-sale financial assets	(1,200)	–
Properties under development	(135)	(134)
Properties held for sale	388	310
Loans and receivables	(34)	(1,061)
Interest expense attributable to the banking business	–	(1,928)
Depreciation	(6,886)	(7,967)
Foreign exchange losses — net	(10,901)	(13,841)
Auditor's remuneration	(4,270)	(3,959)
Minimum lease payments under operating leases	(12,040)	(13,291)
Direct operating expenses arising on rental-earning investment properties	(2,139)	(2,472)

Note:

- (a) The amount mainly represented cost of properties sold of the property development project in Macau which was completed during the year ended 31st March, 2016.
- (b) The amounts include Directors' emoluments disclosed in Note 7 to the financial statements.
- (c) The Group had no forfeited voluntary contributions available to offset future employer contributions against the pension schemes at the year end.
- (d) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2017 HK\$'000	2016 HK\$'000
Directors' fees	2,089	2,204
Basic salaries, allowances and benefits in kind	2,413	2,980
Retirement benefit costs	36	36
	4,538	5,220

The emoluments paid to each of the Directors during the year ended 31st March, 2017 are as follows:

2017	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Stephen Riady	223	1,085	18	1,326
John Luen Wai Lee	253	584	18	855
Kee Yee Kor <i>(Note)</i>	74	744	–	818
	550	2,413	36	2,999
Non-executive director:				
Leon Nim Leung Chan	401	–	–	401
Independent non-executive directors:				
Albert Saychuan Cheok	371	–	–	371
Victor Ha Kuk Yung	371	–	–	371
King Fai Tsui	396	–	–	396
	1,138	–	–	1,138
	2,089	2,413	36	4,538

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid to each of the Directors during the year ended 31st March, 2016 are as follows:

2016	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Stephen Riady	216	1,085	18	1,319
John Luen Wai Lee	265	584	18	867
Kee Yee Kor <i>(Note)</i>	216	1,311	–	1,527
	697	2,980	36	3,713
Non-executive director:				
Leon Nim Leung Chan	390	–	–	390
Independent non-executive directors:				
Albert Saychuan Cheok	373	–	–	373
Victor Ha Kuk Yung	360	–	–	360
King Fai Tsui	384	–	–	384
	1,117	–	–	1,117
	2,204	2,980	36	5,220

Note: Kee Yee Kor resigned as an executive director of the Company on 31st July, 2016.

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

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

Notes to the Financial Statements *(continued)*

8. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the current and prior years did not include any Director. Details of the emoluments of the five (2016 — five) non-director, highest paid employees for the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Basic salaries, allowances and benefits in kind	6,519	6,655
Discretionary bonuses paid and payable	4,250	5,358
Retirement benefit costs	217	162
	10,986	12,175

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

Emoluments bands (HK\$):	2017 Number of employees	2016 Number of employees
1,000,001 — 1,500,000	1	–
1,500,001 — 2,000,000	2	1
2,000,001 — 2,500,000	1	2
2,500,001 — 3,000,000	–	1
3,000,001 — 3,500,000	–	1
3,500,001 — 4,000,000	1	–
	5	5

9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank and other borrowings	3,700	6,406
Less: Interest capitalised	–	(5,989)
	3,700	417

The amount for the year ended 31st March, 2016 excluded interest expense incurred by a then banking subsidiary of the Group.

Notes to the Financial Statements *(continued)*

10. SHARE OF RESULTS OF JOINT VENTURES

Lippo ASM Asia Property Limited ("LAAPL") is a material joint venture of the Group, further details are given in Note 17 to the financial statements. For the year ended 31st March, 2017, the Group's share of loss in LAAPL amounted to approximately HK\$21,882,000 (2016 — HK\$280,764,000, restated with details disclosed in Note 42 to the financial statements). The share of loss recognised during the year was mainly attributable to the net fair value loss on the joint ventures' investment properties and finance costs incurred by the joint ventures, partially offset by profit from disposal and reversal of impairment loss of its properties held for sale and fair value gain from its investments designated at fair value through profit or loss. The restated share of loss for the year ended 31st March, 2016 was mainly attributable to the impairment loss on properties held for sale, the impairment loss on goodwill arising from the acquisition of a subsidiary and finance costs incurred by the joint ventures.

11. INCOME TAX

	2017 HK\$'000	2016 HK\$'000
Hong Kong:		
Charge for the year	—	—
Overseas:		
Charge for the year	10,690	80,473
Overprovision in prior years	(3,403)	—
Deferred (<i>Note 27</i>)	(1,836)	(8,820)
	5,451	71,653
Total charge for the year	5,451	71,653

Hong Kong profits tax has been provided at the rate of 16.5 per cent. (2016 — 16.5 per cent.) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Notes to the Financial Statements *(continued)*

11. INCOME TAX *(continued)*

A reconciliation of the tax charge applicable to profit 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:

	2017 HK\$'000	2016 HK\$'000 (Restated)
Profit before tax	49,803	303,080
Tax at the statutory tax rate of 16.5 per cent. (2016 — 16.5 per cent.)	8,217	50,008
Effect of different tax rates in other jurisdictions	(2,691)	(18,780)
Adjustments in respect of current tax of previous years	(3,403)	–
Losses attributable to joint ventures and associates	2,325	46,865
Income not subject to tax	(14,735)	(45,206)
Expenses not deductible for tax	8,549	18,549
Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China	(553)	12,247
Tax losses utilised from previous years	(411)	(1,087)
Tax losses not recognised	6,647	7,448
Land appreciation tax	2,008	2,146
Tax effect of land appreciation tax	(502)	(537)
Tax charge at the Group's effective rate	5,451	71,653

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. (2016 — 25 per cent., 17 per cent. and 12 per cent.), respectively.

The share of tax charge attributable to an associate and joint ventures amounting to HK\$482,000 (2016 — HK\$744,000) and HK\$91,013,000 (2016 — HK\$115,805,000), respectively, is 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.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (2016 — approximately 1,998,280,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31st March, 2017 and 2016.

Notes to the Financial Statements *(continued)*

13. DIVIDENDS/DISTRIBUTIONS

	2017 HK\$'000	2016 HK\$'000
Interim dividend, declared, of HK1 cent (2016 — interim distribution of HK1 cent) per ordinary share	19,983	19,983
Final dividend, proposed, of HK1 cent (2016 — HK2 cents) per ordinary share	19,983	39,966
	39,966	59,949

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

14. FIXED ASSETS

	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Yacht HK\$'000	Total HK\$'000
2017			
At 31st March, 2016 and at 1st April, 2016			
Cost	31,092	53,265	84,357
Accumulated depreciation	(27,333)	(8,458)	(35,791)
Net carrying amount	3,759	44,807	48,566
At 1st April, 2016, net of accumulated depreciation	3,759	44,807	48,566
Additions during the year	1,195	–	1,195
Disposals during the year	(1)	–	(1)
Disposal of subsidiaries (<i>Note 33</i>)	(144)	–	(144)
Depreciation provided for the year	(1,685)	(5,201)	(6,886)
Exchange adjustments	(32)	(1,401)	(1,433)
At 31st March, 2017, net of accumulated depreciation	3,092	38,205	41,297
At 31st March, 2017			
Cost	31,202	51,545	82,747
Accumulated depreciation	(28,110)	(13,340)	(41,450)
Net carrying amount	3,092	38,205	41,297

Notes to the Financial Statements *(continued)*

14. FIXED ASSETS *(continued)*

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Yacht HK\$'000	Total HK\$'000
2016				
At 1st April, 2015				
Cost	8,051	49,051	52,262	109,364
Accumulated depreciation	(913)	(40,051)	(3,073)	(44,037)
Net carrying amount	7,138	9,000	49,189	65,327
At 1st April, 2015, net of accumulated depreciation				
Additions during the year	–	1,418	–	1,418
Disposals during the year	–	(1)	–	(1)
Disposal of a subsidiary (<i>Note 33</i>)	(7,111)	(3,883)	–	(10,994)
Depreciation provided for the year	(27)	(2,747)	(5,193)	(7,967)
Exchange adjustments	–	(28)	811	783
At 31st March, 2016, net of accumulated depreciation	–	3,759	44,807	48,566
At 31st March, 2016				
Cost	–	31,092	53,265	84,357
Accumulated depreciation	–	(27,333)	(8,458)	(35,791)
Net carrying amount	–	3,759	44,807	48,566

Notes to the Financial Statements *(continued)*

15. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
Balance at beginning of year	119,340	245,178
Disposal of a subsidiary (Note 33)	–	(150,350)
Fair value adjustments	(2,190)	29,193
Exchange adjustments	(5,990)	(4,681)
Balance at end of year	111,160	119,340

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, 2017 made by Asian Appraisal Company, Inc., CBRE, Inc. and RHL Appraisal Limited, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK\$111,160,000 (2016 — HK\$119,340,000).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Completed investment properties in mainland China and overseas				
At 31st March, 2017	–	–	111,160	111,160
At 31st March, 2016	–	–	119,340	119,340

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 (2016 — Nil).

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

	2017 HK\$'000	2016 HK\$'000
Carrying amount at beginning of year	119,340	245,178
Disposals	–	(150,350)
Net gain/(loss) from fair value adjustments	(2,190)	29,193
Exchange adjustments	(5,990)	(4,681)
Carrying amount at end of year	111,160	119,340

Notes to the Financial Statements *(continued)*

15. 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\$13,000 to HK\$37,500 (2016 — HK\$13,000 to HK\$38,000)
		Income approach	Rental per square metre per month
		Capitalisation rate	4.5 per cent. to 10.3 per cent. (2016 — 5.0 per cent. to 9.2 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 referring to comparable sales transactions as available in the market. The key input was the market price per square metre. 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 has allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential. The key inputs were market rent and the capitalisation rate. 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 decrease/increase in the fair value of the investment properties.

16. INTERESTS IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Share of net assets	388,016	402,042
Due from associates	58,339	73,979
	446,355	476,021
Provisions for impairment losses	(19,197)	(19,197)
	427,158	456,824

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment and are considered as part of the Group's net investments in the associates.

Notes to the Financial Statements *(continued)*

16. INTERESTS IN ASSOCIATES *(continued)*

During the year, the Directors reviewed the carrying amount of the associates with reference to their business performances prepared by the investees' management. No impairment loss (2016 — Nil) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal associates are set out on page 133.

Greenix Limited and its subsidiaries, which are considered material associates of the Group, are engaged 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:

	2017 HK\$'000	2016 HK\$'000
Current assets	863,615	907,042
Current liabilities	(21,563)	(6,358)
Non-current liabilities	(57,654)	(88,289)
Net assets	784,398	812,395
Reconciliation to the Group's interest in the associate:		
Group's share of net assets of the associate	392,199	406,197
Due from the associate	28,827	44,144
Carrying amount of the investment	421,026	450,341
Revenue for the year	49,860	20,636
Profit/(Loss) and total comprehensive income/(loss) for the year	(1,782)	17,068

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

	2017 HK\$'000	2016 HK\$'000
Share of the associates' profit/(loss) for the year	13	(84)
Share of the associates' other comprehensive loss for the year	(42)	(43)
Share of the associates' total comprehensive loss for the year	(29)	(127)
Aggregate carrying amount of the Group's interests in the associates	6,132	6,483

Notes to the Financial Statements *(continued)*

17. INTERESTS IN JOINT VENTURES

	2017 HK\$'000	2016 HK\$'000 (Restated) ⁽¹⁾
Share of net assets	7,473,434	7,937,288
Due from joint ventures	2,259,272	1,289,420
	9,732,706	9,226,708
Provisions for impairment losses	(11,817)	(14,555)
	9,720,889	9,212,153

⁽¹⁾ Refer to Note 42

As at 31st March, 2017, the amounts due from joint ventures included balances of HK\$2,241,562,000, which are unsecured, bear interest rates ranging from nil to 2.25 per cent. per annum and are repayable on demand. The amounts due from joint ventures as at 31st March, 2016 included balances of HK\$1,268,972,000, which were unsecured, bore interest rates ranging from nil to 6.5 per cent. per annum and were repayable on demand or within one year. The remaining balances with the joint ventures are unsecured, interest-free and have no fixed terms of repayment. The amounts due from joint ventures are considered as part of the Group's net 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. Reversal of impairment loss of HK\$2,738,000 (2016 — HK\$2,076,000) has been credited to the consolidated statement of profit or loss for the year.

The Group's trade payable balance with a joint venture is disclosed in Note 25 to the financial statements.

Details of the principal joint ventures are set out on page 134.

LAAPL is considered a material joint venture of the Group and is accounted for using the equity method. LAAPL is a joint venture set up to hold the controlling stake in OUE Limited ("OUE"), a listed company in Singapore. OUE is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. Certain bank facilities under LAAPL were secured by certain listed shares held under it.

Notes to the Financial Statements *(continued)*

17. 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:

	2017 HK\$'000	2016 HK\$'000 (Restated)
Non-current assets	45,676,457	43,981,244
Cash and cash equivalents	1,853,197	1,531,343
Other current assets	5,129,573	6,475,088
Current assets	6,982,770	8,006,431
Financial liabilities, excluding trade and other payables	(4,548,888)	(6,619,553)
Other current liabilities	(1,488,648)	(1,378,201)
Current liabilities	(6,037,536)	(7,997,754)
Non-current financial liabilities, excluding trade and other payables and provisions	(22,747,205)	(21,706,887)
Other non-current liabilities	(1,414,850)	(805,611)
Non-current liabilities	(24,162,055)	(22,512,498)
Net assets	22,459,636	21,477,423
Reconciliation to the Group's interest in the joint venture:		
Net assets	22,459,636	21,477,423
Less: Non-controlling interests	(14,787,965)	(13,312,033)
Net assets attributable to equity holders of the joint venture	7,671,671	8,165,390
Group's share of net assets of the joint venture	7,232,621	7,698,038
Due from the joint venture	2,241,562	1,268,972
Carrying amount of the investment	9,474,183	8,967,010
Revenue	4,393,758	2,671,786
Interest income	24,709	8,762
Depreciation and amortisation	(150,680)	(144,220)
Interest expenses	(870,300)	(857,722)
Tax	(151,250)	(192,550)
Loss for the year attributable to equity holders of the joint venture	(23,215)	(297,866)
Other comprehensive loss for the year attributable to equity holders of the joint venture	(346,944)	(186,965)
Total comprehensive loss for the year attributable to equity holders of the joint venture	(370,159)	(484,831)

Notes to the Financial Statements *(continued)*

17. INTERESTS IN JOINT VENTURES *(continued)*

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

	2017 HK\$'000	2016 HK\$'000
Share of the joint ventures' profit/(loss) for the year	8,669	(11,709)
Share of the joint ventures' other comprehensive loss for the year	(89)	(498)
Share of the joint ventures' total comprehensive income/(loss) for the year	8,580	(12,207)
Aggregate carrying amount of the Group's interests in the joint ventures	246,706	245,143

As at 31st March, 2017, the Group's share of joint ventures' own capital commitment amounted to HK\$111,450,000 (2016 — HK\$580,181,000).

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. Besides, in order to comply with the requirements of the Monetary Authority of Macao ("AMCM") to maintain impairment allowances in excess of MCB's collective impairment allowances required under HKFRSs, a portion of the retained profits is earmarked as a regulatory reserve, which is not distributable to MCB's shareholders under the AMCM's requirements. As at 31st March, 2017, the interests in joint ventures balance included the share of such legal reserve and regulatory reserve of HK\$12,300,000 (2016 — HK\$11,856,000) and HK\$5,447,000 (2016 — HK\$1,486,000), respectively.

As at 31st March, 2017, the Group's share of contingent liabilities relating to MCB amounted to HK\$39,287,000 (2016 — HK\$18,840,000), comprising share of guarantees and other endorsements of HK\$36,207,000 (2016 — HK\$17,636,000) and share of liabilities under letters of credit on behalf of customers of HK\$3,080,000 (2016 — HK\$1,204,000).

Notes to the Financial Statements *(continued)*

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK\$'000	2016 HK\$'000
Financial assets stated at fair value:		
Equity securities	24	38
Debt securities	2,300	3,075
Investment funds	1,793	2,926
	4,117	6,039
Financial assets stated at cost:		
Equity securities	64,000	64,000
Provisions for impairment losses	(64,000)	(64,000)
	—	—
	4,117	6,039

The debt securities are non-interest bearing.

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\$1,488,000 (2016 — HK\$1,288,000), of which loss of HK\$1,509,000 (2016 — HK\$70,000) 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 available-for-sale financial assets issued by private entities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

During the year, the Directors reviewed the carrying amount of available-for-sale financial assets with reference to their business performances prepared by the investees' management. Impairment loss of HK\$1,200,000 (2016 — Nil), which included a reclassification from consolidated other comprehensive income of HK\$1,200,000 (2016 — Nil), has been charged to the consolidated statement of profit or loss for the year.

Notes to the Financial Statements *(continued)*

19. PROPERTIES UNDER DEVELOPMENT

	2017 HK\$'000	2016 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	39,594	826,921
Additions during the year	210	53,108
Reclassified to properties held for sale	–	(842,960)
Exchange adjustments	222	2,525
Balance at end of year	40,026	39,594
Provisions for impairment losses:		
Balance at beginning of year	(10,981)	(10,155)
Impairment during the year	(135)	(134)
Exchange adjustments	(64)	(692)
Balance at end of year	(11,180)	(10,981)
	28,846	28,613

The properties under development are expected to be recovered in more than twelve months after the end of the reporting period.

20. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest rates ranging from 1.7 per cent. to 8.0 per cent. (2016 — 1.7 per cent. to 8.0 per cent.) per annum. Certain loans and advances are secured by clients' securities and assets being held as collateral with an aggregate carrying amount of HK\$104,016,000 (2016 — HK\$56,979,000).

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

	2017 HK\$'000	2016 HK\$'000
Balance at beginning of year	210	7,290
Impairment losses recognised	–	782
Impairment allowance released	(4)	–
Amount written off as uncollectible	–	(6,073)
Disposal of a subsidiary	–	(1,789)
Balance at end of year	206	210

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.

Notes to the Financial Statements *(continued)*

21. 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:

	2017 HK\$'000	2016 HK\$'000
Outstanding balances with ages:		
Repayable on demand	7,507	10,580
Within 30 days	3,602	32,200
	11,109	42,780

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 mainly relate to securities broking operation and property development projects with an aggregate carrying amount before provision of HK\$20,564,000 (2016 — HK\$20,476,000). 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 are as follows:

	2017 HK\$'000	2016 HK\$'000
Balance at beginning of year	20,001	19,722
Impairment losses recognised	38	279
Balance at end of year	20,039	20,001

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.

Notes to the Financial Statements *(continued)*

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Held for trading:		
Equity securities	682	35,696
Investment funds	8,459	8,477
	9,141	44,173

23. OTHER FINANCIAL ASSET

	2017 HK\$'000	2016 HK\$'000
Put Option <i>(Note)</i>	21,437	25,295

Note: As provided in the Shareholders' Agreement for the joint arrangement for investment in MCB, in the event of the Group holding 20 per cent. or less of the issued share capital of MCB, the Group will be entitled to exercise a put option to require one of the shareholders of MCB to purchase all the remaining shares in MCB held by the Group (the "Put Option"). The Put Option is exercisable at any time during a period of 5 years from the date when the Group's shareholding interest in MCB becomes 20 per cent. or less. The right to exercise the Put Option survives any termination or expiry of the Shareholders' Agreement.

24. RESTRICTED CASH

The balance mainly represents bank deposits pledged to secure bank overdraft facilities made available to the Group's securities broking operation. The facilities had not been utilised as at the end of the reporting period.

25. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received mainly comprised deposits received for the further disposal of a 31 per cent. equity interest in MCB (the "Second Disposal"), which is subject to the approval of AMCM of HK\$270,630,000 (2016 — HK\$270,630,000), a non-refundable exclusivity payment of HK\$130,000,000 (2016 — HK\$20,000,000) in relation to the negotiation of the proposed disposal of a majority stake of the Group's securities broking operation and trade payables relating to cash balances held on trust for the customers in respect of the Group's securities broking operation of HK\$855,803,000 (2016 — HK\$336,481,000). As at 31st March, 2017, total client trust bank balances amounted to HK\$845,921,000 (2016 — HK\$295,784,000).

Notes to the Financial Statements *(continued)*

25. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED *(continued)*

An aged analysis of trade creditors, based on the invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Outstanding balances with ages:		
Repayable on demand	815,921	288,677
Within 30 days	39,882	47,856
	855,803	336,533

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.

Included in the trade creditors is an amount of HK\$3,954,000 (2016 — HK\$9,306,000) due to a joint venture of the Group. The balance is unsecured, non-interest bearing and repayable within normal trade credit terms.

26. BANK AND OTHER BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Repayable in the third to fifth years, inclusive:		
Unsecured bank loans	476,667	—

As at 31st March, 2017, the Group's bank loans were denominated in Hong Kong dollar and bore interest at floating rate of 1.52 per cent. per annum. The Company has provided corporate guarantee for the bank loans granted to a subsidiary of the Company.

Notes to the Financial Statements *(continued)*

27. DEFERRED TAX

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

	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
2017					
At 1st April, 2016	2,631	13,242	–	7,653	23,526
Deferred tax credited to the statement of profit or loss during the year (<i>Note 11</i>)	(1)	(1,282)	–	(553)	(1,836)
Exchange adjustments	(221)	(607)	–	(457)	(1,285)
At 31st March, 2017	2,409	11,353	–	6,643	20,405
2016					
At 1st April, 2015	3,205	41,175	884	5,478	50,742
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>Note 11</i>)	(7)	(11,313)	–	2,500	(8,820)
Deferred tax credited to equity during the year	–	–	(557)	–	(557)
Disposal of a subsidiary (<i>Note 33</i>)	(497)	(16,117)	(327)	–	(16,941)
Exchange adjustments	(70)	(503)	–	(325)	(898)
At 31st March, 2016	2,631	13,242	–	7,653	23,526

The Group has tax losses of HK\$559,999,000 (2016 — HK\$546,484,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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.

As at 31st March, 2017, except for withholding tax provided for under deferred tax liabilities, there were no significant unrecognised deferred tax liabilities (2016 — 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.

Notes to the Financial Statements *(continued)*

28. SHARE CAPITAL

	2017 HK\$'000	2016 HK\$'000
Authorised:		
4,000,000,000 (2016 — 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 (2016 — 1,998,280,097) ordinary shares of HK\$1.00 each	1,998,280	1,998,280

There were no movements in share capital during the years ended 31st March, 2017 and 2016.

29. 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 Limited, an intermediate holding company of the Company, and Lippo China Resources Limited, 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") might, 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 was 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 was 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 was 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 should be granted on and after the tenth anniversary of the Adoption Date. The options could be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which should not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme did not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option could be exercised. However, the rules of the Share Option Scheme provided that the Board might determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option was required to pay for the grant of the relevant option.

Notes to the Financial Statements *(continued)*

29. SHARE OPTION SCHEME *(continued)*

The overall limit on the number of shares which might 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 might be granted under the Share Option Scheme should 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 was, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit might 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 should be subject to a limit that it should 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 should be determined by the Board at its absolute discretion but in any event should 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 quotations sheets of The Stock Exchange of Hong Kong Limited (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.

As 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. The Share Option Scheme expired in June 2017.

30. RESERVES

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54.

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 as at 31st March, 2017 comprised retained profits of HK\$6,856,613,000 (2016 — HK\$7,004,747,000, restated) and the remaining balance arising from the Cancellation of HK\$744,975,000 (2016 — HK\$744,975,000). Included in the distributable reserves of the Group as at 31st March, 2017 were an amount of final dividend for the year then ended of HK\$19,983,000 (2016 — HK\$39,966,000) proposed after the end of the reporting period.
- (c) The capital redemption reserve is not available for distribution to shareholders.
- (d) The legal reserve represents the part of reserve generated by MCB which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which MCB operates.
- (e) The regulatory reserve represents the part of reserve generated by MCB arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.
- (f) The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

Notes to the Financial Statements *(continued)*

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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, 2017 was 20 per cent. (2016 — 20 per cent.). Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2017 HK\$'000	2016 HK\$'000
Profit/(Loss) for the year allocated to non-controlling interests	(108)	441
Dividend paid to non-controlling interests	–	24,002
Accumulated balances of non-controlling interests at the end of the reporting period	42,758	82,842

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

	2017 HK\$'000	2016 HK\$'000
Current assets	265,416	480,609
Non-current assets	138	226
Current liabilities	(51,222)	(66,166)
Revenue	22,385	32,453
Total expenses	(22,924)	(30,250)
Profit/(Loss) for the year	(539)	2,203
Total comprehensive loss for the year	(25,543)	(24,077)
Net cash flows from/(used in) operating activities	24,249	(411,867)
Net cash flows used in investing activities	–	(8)
Net cash flows used in financing activities	(174,317)	(628,863)
Net decrease in cash and cash equivalents	(150,068)	(1,040,738)

Notes to the Financial Statements *(continued)*

32. ACQUISITION OF SUBSIDIARIES

On 23rd November, 2016, the Group acquired a 50 per cent. interest in Wealthy Place Limited (“Wealthy Place”) and its subsidiary (the “Wealthy Place Group”) at a cash consideration of approximately HK\$1,071,000. Wealthy Place was a joint venture of the Group before the acquisition and is engaged in property development in Singapore. Following the acquisition, the Group holds 100 per cent. interest in Wealthy Place through its wholly-owned subsidiary and non-wholly owned subsidiary and Wealthy Place became a subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Wealthy Place Group as at the date of acquisition were as follow:

	Fair value recognised on acquisition 2017 HK\$'000
Cash and cash equivalents	4,905
Other payables	(2,677)
Total identifiable net assets at fair value	2,228
Fair value of the pre-existing interest in the acquiree	(1,114)
Gain on bargain purchase recognised in other operating expenses in the consolidated statement of profit or loss <i>(Note 6)</i>	(43)
Satisfied by cash	1,071

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2017 HK\$'000
Cash consideration	(1,071)
Cash and cash equivalents acquired	4,905
Net inflow of cash and cash equivalents included in cash flows from investing activities	3,834

For the period from the acquisition date to 31st March, 2017, the Group’s results included revenue of HK\$1,000 and loss of HK\$21,000 from the Wealthy Place Group. Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK\$216,405,000 and HK\$43,114,000, respectively.

Notes to the Financial Statements *(continued)*

33. DISPOSAL OF SUBSIDIARIES

	2017 HK\$'000	2016 HK\$'000
Net assets disposed of:		
Goodwill	–	71,485
Fixed assets	144	10,994
Investment properties	–	150,350
Available-for-sale financial assets	–	84,294
Loans and advances	–	363,609
Debtors, prepayments and deposits	208	13,586
Cash and cash equivalents	3,502	318,434
Creditors, accruals and deposits received	(6,326)	(5,848)
Current, fixed, savings and other deposits of customers	–	(501,532)
Tax payable	–	(227)
Deferred tax liabilities	–	(16,941)
Non-controlling interests	4,298	–
	1,826	488,204
Release of cumulative exchange difference on translation of foreign operations	(2)	202
Release of cumulative changes in fair value of available-for-sale financial assets, net of income tax effect	–	(2,388)
	(2)	(2,186)
Gain/(Loss) on disposal	1,824 (1,823)	486,018 202,355
	1	688,373
Satisfied by:		
Cash consideration received	1	427,231
Increase in interest in a joint venture	–	248,556
Other financial asset	–	12,586
	1	688,373

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK\$'000	2016 HK\$'000
Cash consideration received	1	427,231
Cash and cash equivalents disposed of	(3,502)	(318,434)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(3,501)	108,797

Notes to the Financial Statements *(continued)*

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2017 HK\$'000	2016 HK\$'000 (Restated)
Profit before tax		49,803	303,080
Adjustments for:			
Share of results of associates		878	(8,450)
Share of results of joint ventures		13,213	292,473
Loss/(Gain) on disposal of:			
Fixed assets		1	1
Available-for-sale financial assets	6	1,540	(1,872)
Subsidiaries	33	1,823	(202,355)
Gain on bargain purchase	6	(43)	–
Provisions/(Write-back of provision) for impairment losses on:			
A joint venture	6	(2,738)	(2,076)
Available-for-sale financial assets	6	1,200	–
Properties under development	6	135	134
Properties held for sale	6	(388)	(310)
Loans and receivables	6	34	1,061
Net fair value gain on financial instruments at fair value through profit or loss		(15,290)	(6,461)
Net fair value loss/(gain) on investment properties		2,190	(29,193)
Finance costs	9	3,700	417
Interest income		(79,568)	(60,968)
Dividend income	5	(4,895)	(3,228)
Depreciation	6	6,886	7,967
		(21,519)	290,220
Decrease in properties held for sale		36,862	812,301
Increase in properties under development		(210)	(53,108)
Decrease/(Increase) in loans and advances		(3,773)	11,516
Decrease/(Increase) in debtors, prepayments and deposits		79,836	(56,338)
Decrease in financial instruments at fair value through profit or loss		159,734	58,339
Decrease/(Increase) in client trust bank balances		(549,523)	29,139
Increase/(Decrease) in creditors, accruals and deposits received		503,380	(479,649)
Increase in current, fixed, savings and other deposits of customers		–	56,950
Cash generated from operations		204,787	669,370

Notes to the Financial Statements *(continued)*

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

(b) Major non-cash transactions

2017

During the year, the Group provided the Exchangeable Loans to the LAAPL Subsidiaries to take up in full their respective pro-rata entitlements to the rights issue of OUE Hospitality Trust (“OUE H-Trust”). Subsequent to completion of the rights issue in April 2016, the exchange right under the Exchangeable Loans was exercised to fully settle the Exchangeable Loans. For details of the Exchangeable Loans, please refer to Note 38(e) to the financial statements.

2016

At completion of the First Disposal, the Group entered into a loan agreement (the “Loan Agreement”) pursuant to which an unsecured loan of an aggregate amount of MOP279,000,000 (equivalent to HK\$270,630,000) was advanced to the Group by the new shareholders of MCB for 10 years. Upon signing of the disposal agreements for the Second Disposal, the new shareholders had fully paid the aggregate consideration as deposit, by the set-off of the outstanding loan amount under the Loan Agreement and the Loan Agreement was terminated.

35. CONTINGENT LIABILITIES

As at 31st March, 2017, the Group had no material contingent liabilities (2016 — Nil).

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 three 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, 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	4,898	4,698
In the second to fifth years, inclusive	4,272	3,436
	9,170	8,134

Notes to the Financial Statements *(continued)*

36. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases expire on various dates until 31st May, 2018 and the leases for properties contain the provision for rental adjustments.

As at 31st March, 2017, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	5,629	7,827
In the second to fifth years, inclusive	494	1,772
	6,123	9,599

37. COMMITMENTS

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

	2017 HK\$'000	2016 HK\$'000
Commitments in respect of properties under development:		
Contracted, but not provided for	7,142	9,840
Other commitments:		
Contracted, but not provided for <i>(Note)</i>	575	106,128
	7,717	115,968

Note: The balance as at 31st March, 2016 included commitment in relation to the Exchangeable Loans, which were fully utilised by the joint ventures during the year ended 31st March, 2017. Further details of the Exchangeable Loans are disclosed in Note 38(e) to the financial statements.

Notes to the Financial Statements *(continued)*

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:

- (a) During the year, the Company paid rental expenses (including service charges) of HK\$2,909,000 (2016 — HK\$2,888,000) to 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, 2017. The Company expects the total future minimum lease payables for the year ending 31st March, 2018 to be approximately HK\$1,183,000.
- (b) During the year, the Group paid rental expenses (including service charges) of HK\$3,856,000 (2016 — HK\$3,850,000) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31st May, 2018. The Group expects the total future minimum lease payables for the years ending 31st March, 2018 and 31st March, 2019 to be approximately HK\$3,042,000 and HK\$494,000, respectively.
- (c) During the year, the Group received interest income of HK\$74,819,000 (2016 — HK\$41,144,000) from a joint venture of the Group.
- (d) During the year, certain joint ventures of the Group received rental income (including service charge) in the total amount of HK\$3,465,000 (2016 — HK\$4,027,000) from certain fellow subsidiaries of the Company. The rentals were determined by reference to the then prevailing open market rentals.
- (e) During the year, certain subsidiaries of LAAPL (the “LAAPL Subsidiaries”), joint ventures of the Group and an intermediate holding company of the Company took up in full their respective pro-rata entitlements to the rights issue of OUE H-Trust at aggregate subscription amounts of approximately S\$18,400,000 (equivalent to approximately HK\$105,600,000) and S\$3,000,000 (equivalent to approximately HK\$17,227,000), respectively. OUE H-Trust, being a subsidiary of LAAPL, is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The subscription amount of the LAAPL Subsidiaries of approximately S\$18,400,000 (equivalent to approximately HK\$105,600,000) was funded by a wholly-owned subsidiary of the Company in April 2016 by way of interest free exchangeable loans in exchange for the OUE H-Trust stapled securities subscribed by the LAAPL Subsidiaries under the rights issue (the “Exchangeable Loans”). Subsequent to completion of the rights issue in April 2016, the exchange right under the Exchangeable Loans was exercised to fully settle the Exchangeable Loans.

- (f) As at 31st March, 2017, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 16, 17 and 25 to the financial statements.
- (g) The key management personnel of the Group are its Directors. Details of the Directors’ emoluments are disclosed in Note 7 to the financial statements.

The transaction referred to in item (a) above was a continuing connected transaction exempted from reporting, annual review and independent shareholders’ approval under Chapter 14A of the Listing Rules.

Notes to the Financial Statements *(continued)*

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:

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	Derivative financial instrument HK\$'000	Total HK\$'000
At 31st March, 2017					
Available-for-sale financial assets	-	-	4,117	-	4,117
Financial assets at fair value through profit or loss	9,141	-	-	-	9,141
Loans and advances	-	19,656	-	-	19,656
Financial assets included in debtors, prepayments and deposits	-	52,463	-	-	52,463
Other financial asset	-	-	-	21,437	21,437
Client trust bank balances	-	845,921	-	-	845,921
Restricted cash	-	1,067	-	-	1,067
Cash and cash equivalents	-	536,878	-	-	536,878
	9,141	1,455,985	4,117	21,437	1,490,680
At 31st March, 2016					
Available-for-sale financial assets	-	-	6,039	-	6,039
Financial assets at fair value through profit or loss	44,173	-	-	-	44,173
Loans and advances	-	15,917	-	-	15,917
Financial assets included in debtors, prepayments and deposits	-	143,088	-	-	143,088
Other financial asset	-	-	-	25,295	25,295
Client trust bank balances	-	295,784	-	-	295,784
Restricted cash	-	1,004	-	-	1,004
Cash and cash equivalents	-	904,015	-	-	904,015
	44,173	1,359,808	6,039	25,295	1,435,315

Notes to the Financial Statements *(continued)*

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)*

Financial liabilities

	Financial liabilities at amortised cost	
	2017 HK\$'000	2016 HK\$'000
Bank and other borrowings	476,667	–
Financial liabilities included in creditors, accruals and deposits received	879,412	391,358
	1,356,079	391,358

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Financial assets				
Available-for-sale financial assets	4,117	6,039	4,117	6,039
Financial assets at fair value through profit or loss	9,141	44,173	9,141	44,173
Other financial asset	21,437	25,295	21,437	25,295
	34,695	75,507	34,695	75,507

Management has assessed that the fair values of cash and cash equivalents, restricted cash, client trust bank balances, financial assets included in debtors, prepayments and deposits, loans and advances and financial liabilities included in creditors, accruals and deposits received 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 approximate to their carrying amounts as they are floating rate instruments that are repriced to market interest rates on or near to end of the reporting period and the Group's non-performance risk is considered to be minimal.

Apart from the above, certain available-for-sale financial assets issued by private entities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

Notes to the Financial Statements *(continued)*

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

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.

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 statements issued by the investment fund managers, which take into consideration the fair value of the underlying properties and assets held under the investments.

For unlisted available-for-sale investment funds and investment funds at fair value through profit or loss classified under Level 3 of the fair value measurement hierarchy, the fair values are determined based on the net asset values of those investment funds. When the net asset value increases/decreases 3 per cent. (2016 — 3 per cent.), the fair value will be increased/decreased by HK\$303,000 (2016 — HK\$336,000).

The fair value of the Put Option is determined by Monte-Carlo simulation, which is the capitalisation of discounted cash flows generated by possible share price paths simulated by the model.

Below is a summary of significant unobservable inputs to the valuation of the Put Option used in Level 3 fair value measurements as at 31st March, 2017:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Other financial asset: Put Option	Monte-Carlo simulation method	Volatility of underlying shares	23.4 per cent. to 24.7 per cent. (2016 — 26.4 per cent. to 27.4 per cent.)	When the volatility of the underlying shares increases/decreases 5 per cent. (2016 — 5 per cent.), the fair value will be increased/decreased by HK\$672,000 and HK\$459,000 (2016 — HK\$1,313,000 and HK\$394,000), respectively

Notes to the Financial Statements *(continued)*

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:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31st March, 2017				
Available-for-sale financial assets:				
Equity securities	24	–	–	24
Debt securities	–	2,300	–	2,300
Investment funds	–	–	1,793	1,793
Financial assets at fair value through profit or loss:				
Equity securities	682	–	–	682
Investment funds	–	163	8,296	8,459
Other financial asset:				
Derivative financial instrument	–	–	21,437	21,437
	706	2,463	31,526	34,695
At 31st March, 2016				
Available-for-sale financial assets:				
Equity securities	38	–	–	38
Debt securities	–	3,075	–	3,075
Investment funds	–	–	2,926	2,926
Financial assets at fair value through profit or loss:				
Equity securities	35,696	–	–	35,696
Investment funds	–	192	8,285	8,477
Other financial asset:				
Derivative financial instrument	–	–	25,295	25,295
	35,734	3,267	36,506	75,507

Notes to the Financial Statements *(continued)*

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

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

	Available- for-sale investment funds HK\$'000	Investment funds at fair value through profit or loss HK\$'000	Other financial asset HK\$'000
2017			
At 1st April, 2016	2,926	8,285	25,295
Total gains/(losses) recognised in the statement of profit or loss	–	1,523	(3,858)
Total losses recognised in other comprehensive income	(699)	–	–
Disposals	(428)	(1,527)	–
Exchange adjustments	(6)	15	–
At 31st March, 2017	1,793	8,296	21,437
2016			
At 1st April, 2015	4,873	12,498	–
Total gains/(losses) recognised in the statement of profit or loss	–	(1,545)	12,709
Total losses recognised in other comprehensive income	(1,048)	–	–
Additions	–	–	12,586
Disposals	(898)	(2,668)	–
Exchange adjustments	(1)	–	–
At 31st March, 2016	2,926	8,285	25,295

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 (2016 — Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements *(continued)*

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. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

(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 margin lending business set out in detail 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.

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:

	2017 HK\$'000	2016 HK\$'000
By geographical area:		
Hong Kong	17,233	50,849
Others	13,532	7,848
	30,765	58,697

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

Notes to the Financial Statements *(continued)*

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(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, 2017, all of the Group's debts would mature in more than one year based on the carrying values of bank and other borrowings. The Group did not have any outstanding bank and other borrowings as at 31st March, 2016.

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

	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	Total HK\$'000
At 31st March, 2017					
Bank and other borrowings	–	1,893	5,698	528,035	535,626
Creditors, accruals and deposits received	819,933	44,426	15,053	–	879,412
	819,933	46,319	20,751	528,035	1,415,038
At 31st March, 2016					
Creditors, accruals and deposits received	297,350	61,224	32,784	–	391,358

(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 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.

Notes to the Financial Statements *(continued)*

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk *(continued)*

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

	Increase/ (Decrease) in basis points	2017 Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000	Increase/ (Decrease) in basis points	2016 Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity HK\$'000
Hong Kong dollar	+50	(1,819)	(1,819)	+50	1,214	1,214
United States dollar	+50	151	151	+50	279	279
Singapore dollar	+50	19	19	+50	6	6
Renminbi	+50	807	807	+50	1,388	1,388
Hong Kong dollar	-50	1,819	1,819	-50	(1,214)	(1,214)
United States dollar	-50	(151)	(151)	-50	(279)	(279)
Singapore dollar	-50	(19)	(19)	-50	(6)	(6)
Renminbi	-50	(807)	(807)	-50	(1,388)	(1,388)

(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 foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities 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.

Notes to the Financial Statements *(continued)*

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Foreign currency risk *(continued)*

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

	Increase/(Decrease) in profit before tax	
	2017 HK\$'000	2016 HK\$'000
United States dollar against Hong Kong dollar		
— strengthened 3 per cent. (2016 — 3 per cent.)	6,058	2,065
— weakened 3 per cent. (2016 — 3 per cent.)	(6,058)	(2,065)
Singapore dollar against Hong Kong dollar		
— strengthened 3 per cent. (2016 — 3 per cent.)	103	4,330
— weakened 3 per cent. (2016 — 3 per cent.)	(103)	(4,330)
Renminbi against Hong Kong dollar		
— strengthened 3 per cent. (2016 — 3 per cent.)	14	341
— weakened 3 per cent. (2016 — 3 per cent.)	(14)	(341)

At the end of the reporting period, the cash and cash equivalents of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK\$182,585,000 (2016 — HK\$331,307,000). 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 18) and financial assets at fair value through profit or loss (Note 22) as at 31st March, 2017. The Group's listed financial assets are mainly listed on the Hong Kong and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the Hong Kong stock exchange, at the close of business of the nearest trading day to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31st March, 2017	High/Low 2017	31st March, 2016	High/Low 2016
Hong Kong — Hang Seng Index	24,112	24,657/19,595	20,777	28,589/18,278

The senior management of the Group regularly reviews and monitors the mix of securities in the Group's investment portfolio based on the fair value to ensure the loss arising from the changes in the market values of the investment portfolios is capped within an acceptable range.

Notes to the Financial Statements *(continued)*

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(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.

	2017		2016	
	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity* HK\$'000	Increase/ (Decrease) in profit before tax HK\$'000	Increase/ (Decrease) in equity* HK\$'000
Available-for-sale financial assets				
Global and others	–	55	–	89
Financial assets at fair value through profit or loss				
Hong Kong	20	–	20	–
Republic of Singapore	–	–	1,051	–
Global and others	254	–	254	–
	274	–	1,325	–

* 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.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March, 2017 and 2016.

Notes to the Financial Statements *(continued)*

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) Capital management *(continued)*

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

	2017 HK\$'000	2016 HK\$'000 (Restated)
Bank and other borrowings <i>(Note 26)</i>	476,667	–
Equity attributable to equity holders of the Company	10,012,192	10,527,111
Gearing ratio	5 per cent.	N/A

42. COMPARATIVE AMOUNTS

During the year ended 31st March, 2016, a joint venture of OUE, which in turn is a subsidiary of LAAPL, a principal joint venture of the Group, acquired additional equity interests in a listed company (the "Acquisitions"). As at 31st March, 2016, the purchase price allocation review in respect of the Acquisitions was not completed. Such purchase price allocation review was completed during the year ended 31st March, 2017 and OUE recorded a share of gain from bargain purchase in relation to the Acquisitions. This gain from bargain purchase represents the excess of fair value of assets and liabilities acquired over the consideration paid.

As a consequence, the Group has made certain adjustments to retrospectively adjust the impact of the Acquisitions, which led to a decrease in share of loss of joint ventures and an increase of net profit attributable to equity holders of HK\$25,524,000 in consolidated statement of profit or loss for the year ended 31st March, 2016, an increase in interests in joint ventures of HK\$26,111,000 and an increase in the exchange equalisation reserve of HK\$587,000 in the Group's consolidated statement of financial position as at 31st March, 2016. As a result, the equity attributable to equity holders of the Company was increased by HK\$26,111,000 as at 31st March, 2016 and the earnings per share amount attributable to the equity holders of the Company was increased by HK1.3 cents for the year ended 31st March, 2016.

Besides, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and disclosures.

Notes to the Financial Statements *(continued)*

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Fixed assets	1,379	1,829
Interests in subsidiaries	3,047,125	2,863,338
Available-for-sale financial assets	2,300	3,075
	3,050,804	2,868,242
Current assets		
Debtors, prepayments and deposits	728	1,219
Financial assets at fair value through profit or loss	3	4
Cash and cash equivalents	173,753	365,989
	174,484	367,212
Current liabilities		
Creditors, accruals and deposits received	8,587	6,730
Net current assets	165,897	360,482
Net assets	3,216,701	3,228,724
Equity		
Share capital	1,998,280	1,998,280
Reserves (<i>Note</i>)	1,218,421	1,230,444
	3,216,701	3,228,724

Notes to the Financial Statements *(continued)*

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Capital redemption reserve <i>(Note 30(c))</i>	Investment revaluation reserves	Distributable reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2017					
At 1st April, 2016	92,275	22,144	–	1,116,025	1,230,444
Profit for the year	–	–	–	47,501	47,501
Other comprehensive income/(loss) for the year:					
Fair value loss on available-for-sale financial assets	–	–	(775)	–	(775)
Reclassification adjustment for impairment on available-for-sale financial assets	–	–	1,200	–	1,200
Total comprehensive income for the year	–	–	425	47,501	47,926
2015/2016 final dividend declared and paid to shareholders of the Company	–	–	–	(39,966)	(39,966)
2016/2017 interim dividend declared and paid to shareholders of the Company	–	–	–	(19,983)	(19,983)
At 31st March, 2017	92,275	22,144	425	1,103,577	1,218,421
2016					
At 1st April, 2015	92,275	22,144	–	922,329	1,036,748
Profit for the year and total comprehensive income for the year	–	–	–	253,645	253,645
2014/2015 final distribution declared and paid to shareholders of the Company	–	–	–	(39,966)	(39,966)
2015/2016 interim distribution declared and paid to shareholders of the Company	–	–	–	(19,983)	(19,983)
At 31st March, 2016	92,275	22,144	–	1,116,025	1,230,444

Distributable reserves of the Company as at 31st March, 2017 comprised contributed surplus of HK\$134,329,000 (2016 — HK\$134,329,000), retained earnings of HK\$224,273,000 (2016 — HK\$236,721,000) and the remaining balance arising from the Cancellation of HK\$744,975,000 (2016 — HK\$744,975,000).

Included in the distributable reserves of the Company as at 31st March, 2017 was an amount of final dividend for the year then ended of HK\$19,983,000 (2016 — HK\$39,966,000) proposed after the end of the reporting period.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29th June, 2017.

Particulars of Principal Subsidiaries

PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31ST MARCH, 2017 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 of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
Allyield 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
Compass Link Limited	British Virgin Islands	US\$1	–	100	Investment holding
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
Faireseas 1 Pte. Ltd.**	Republic of Singapore	S\$1	–	100	Owner of a motor yacht
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

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 of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
HKC Property Investment Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
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
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
L.S. Finance Limited	Hong Kong	HK\$5,000,000	–	100	Money lending
Mass Empire Limited	Hong Kong	HK\$1	–	100	Investment
Masuda Limited	British Virgin Islands	US\$10,000	–	100	Investment holding
MGS Ltd.	British Virgin Islands	US\$1	–	100	Investment holding
Norfyork International Limited	Hong Kong	HK\$25,000,000	–	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 of equity attributable to the Company/Group (unless otherwise stated)#		Principal activities
One Realty Pte. Limited**	Republic of Singapore	S\$2	–	100	Investment holding and provision of project and management services
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
Polar Step Limited	British Virgin Islands	US\$1	–	100	Investment
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
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment
Uchida Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Wealtop Limited	British Virgin Islands/ Hong Kong	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 of equity attributable to the Company/Group (unless otherwise stated) [#]		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\$18,000,000 [*]	–	80 [®]	Property development
Wealthy Place Limited	British Virgin Islands	US\$2	–	80	Investment holding
Lippo Project Pte. Limited ^{**}	Republic of Singapore	S\$2	–	80	Property development
Kingtek Limited	British Virgin Islands	US\$100	–	60	Investment holding

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

[®] profit sharing ratio

^{*} paid up registered capital

^{**} audited by certified public accountants other than Ernst & Young, Hong Kong

Note:

MOP — Macau patacas

Pesos — Philippines pesos

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

PARTICULARS OF PRINCIPAL ASSOCIATES AS AT 31ST MARCH, 2017 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Approximate percentage of equity attributable to the Group (unless otherwise stated) [#]	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
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$16,286.6	36.84	Investment holding
Rebound Power Limited	Corporate	British Virgin Islands	US\$300	Note (b)	Investment holding
Proton Power Asia Limited	Corporate	Hong Kong	HK\$90	Note (c)	Investment holding
Proton Power Pte. Ltd.	Corporate	Republic of Singapore	S\$1	Note (c)	Green energy 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) 100 voting, non-participating class "A" shares of US\$1.00 each; (ii) 100 non-voting, participating class "B" shares of US\$1.00 each; (iii) 50 non-voting, participating class "C" shares of US\$1.00 each; and (iv) 50 non-voting, participating class "D" shares of US\$1.00 each. The Group was interested in 50 per cent. of all the class "A" shares in issue, 100 per cent. of all the class "B" shares in issue and approximately 36.32 per cent. of all the class "C" shares in issue which entitled the Group to 50 per cent. of the voting rights and approximately 75.45 per cent. of the profit sharing of this company.

(c) This company is a wholly-owned subsidiary of Rebound Power Limited.

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, 2017 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
The Macau Chinese Bank Limited	Corporate	Macau	MOP260,000,000	51	Banking
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$2	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\$1,200	Note (b)	Investment holding

[#] 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) MOP — Macau patacas

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) 200 non-voting, participating class "B" shares of US\$1.00 each; and (iii) 200 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.

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31ST MARCH, 2017

Description	Use	Approximate gross floor area <i>(square metres)</i>	Status	Percentage of the Group's interest
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
<i>The above property is held under medium term lease.</i>				
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

The above properties are freehold.

Schedule of Major Properties *(continued)*

(2) PROPERTY HELD FOR DEVELOPMENT AS AT 31ST MARCH, 2017

Description	Use	Approximate site area (square metres)	Approximate gross floor area (square metres)	Percentage of the Group's interest	Estimated completion date	Stage of development at 31st March, 2017
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Overseas

3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land
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(3) PROPERTIES HELD FOR SALE AS AT 31ST MARCH, 2017

Description	Use	Approximate gross floor area (square metres)	Percentage of the Group's interest
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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	16,770	80
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Overseas

854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100
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Summary of Financial Information

	Year ended 31st March, 2017 HK\$'000	Year ended 31st March, 2016 HK\$'000 (Restated)	Year ended 31st March, 2015 HK\$'000 (Restated)	Year ended 31st March, 2014 HK\$'000	Fifteen-month ended 31st March, 2013 HK\$'000 (Restated)
Profit/(Loss) attributable to equity holders of the Company	44,996	229,455	655,067	313,577	(209,464)
Total assets	11,915,519	11,443,035	12,723,654	13,176,213	14,747,736
Total liabilities	(1,860,101)	(836,343)	(2,191,786)	(2,536,665)	(4,409,342)
Net assets	10,055,418	10,606,692	10,531,868	10,639,548	10,338,394
Non-controlling interests	(43,226)	(79,581)	(107,099)	(248,033)	(61,768)
Equity attributable to equity holders of the Company	10,012,192	10,527,111	10,424,769	10,391,515	10,276,626

The Group has made certain retrospective adjustments to the financial information for the years ended 31st March, 2016 and 2015 following the completion of the purchase price allocation review in respect of the acquisition of equity interest under the Group's joint venture. Details regarding the adjustments made during the year are provided in Note 42 to the financial statements for the year ended 31st March, 2017.

The financial information for the fifteen-month ended 31st March, 2013 is restated upon the adoption of HKFRS 10 *Consolidated Financial Statements*, which became effective for financial years beginning on or after 1st April, 2013.

Supplementary Financial Information

DISCLOSURE PURSUANT TO RULE 13.22 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31st March, 2017 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	HK\$'000
Pro forma combined statement of financial position	
Intangible assets	914,956
Fixed assets	4,132,312
Investment properties	37,631,738
Interests in equity-accounted investees	2,217,400
Properties held for sale	3,894,008
Properties under development	337,693
Available-for-sale financial assets	948,942
Financial assets at fair value through profit or loss	985,060
Loans and advances	1,446,393
Debtors, prepayments and deposits	915,794
Cash and cash equivalents	2,532,438
Other assets	168,540
Bank and other borrowings	(24,249,685)
Creditors, accruals and deposits received	(2,198,690)
Current, fixed, savings and other deposits of customers	(1,980,985)
Tax payable	(230,252)
Shareholders' advance	(2,723,900)
Deferred tax liabilities	(971,124)
Other financial liabilities	(104,053)
Non-controlling interests	(14,784,281)
	8,882,304
Group's attributable interest (<i>Note</i>)	10,148,047

Note: The Group's attributable interest represents that portion attributable to the Group before non-controlling interests included therein.