Hongkong Chinese Limited
香港華人有限公司*

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

2017/2018 ANNUAL REPORT

* *For identification purpose only*

Contents

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 Victor Ha Kuk Yung
Mr King Fai Tsui
Mr Edwin Neo

COMMITTEES

Audit Committee
Mr King Fai Tsui *(Chairman)*
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

Remuneration Committee
Mr King Fai Tsui *(Chairman)*
Dr Stephen Riady
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

Nomination Committee
Mr King Fai Tsui *(Chairman)*
Dr Stephen Riady
Mr Leon Nim Leung Chan
Mr Victor Ha Kuk Yung
Mr Edwin Neo

SECRETARY
Mr Kelsch Woon Kun Wong

AUDITOR
Ernst & Young

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

SOLICITORS
Howse Williams Bowers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay 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
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 31 March 2018 (the "Year").

The global economy enjoyed a promising growth amid various uncertainties and risks during the Year. The Group's major joint ventures in Singapore led by OUE Limited ("OUE") have been undergoing transformation of experiences of retail, lifestyle and wellness, and transformation of lives through the provision of healthcare and asset management, thereby paving the way for fresh avenues of growth and value creation as well as unlocking sustainable potential. The Group recorded a consolidated profit attributable to shareholders of approximately HK$327 million for the Year, as compared to a consolidated profit of approximately HK$45 million for the year ended 31 March 2017 ("2017").

With proven experiences in diversified businesses and building on its strong fundamentals in property development and investment business, the Group will continue to seek good opportunities to improve its returns and enhance shareholder value by capitalising on the growth of the global economy.

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, the total dividends for the Year will be HK2 cents per share.

I wish to extend my gratitude to my fellow Directors for their valuable contribution and advice during the Year. I would also like to thank our management and staff for their hard work, achievement and commitment to the Group.

Stephen Riady
Chairman

27 June 2018

Report of the Directors

The Directors hereby present their report together with the audited financial statements for the Year.

BUSINESS REVIEW

Overview

The Year saw promising advancement of the global economy as evidenced by record high indices in major stock markets and strengthening GDP growth, despite various uncertainties and downside risks such as policy changes in the United States of America (the "US"), trade disputes, Brexit negotiations and geopolitical incidents. Against this backdrop, the Group and its joint ventures recorded varied results for the Year.

Results for the Year

The Group recorded a consolidated profit attributable to shareholders of approximately HK$327 million for the Year, as compared to a consolidated profit of approximately HK$45 million for 2017. The increase in profit was mainly attributable to share of profit from joint ventures resulted from the net fair value gain on the joint ventures' investment properties and the gain resulted from the disposal of further 31% equity interests in The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) (the "31% MCB Disposal") during the Year.

Property investment and development businesses are the principal sources of revenue of the Group, contributing to 83% (2017 — 87%) of total revenue. Total revenue for the Year decreased to HK$119 million (2017 — HK$216 million). The decrease was mainly due to lower revenue from sales of properties of the Group as a substantial portion of the completed development properties was sold and recognised in prior years.

Property investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group's investment properties portfolio and interest income from the loans to a subsidiary of Lippo ASM Asia Property Limited ("LAAPL", together with its subsidiaries the "LAAPL Group"), a principal joint venture of the Company. The segment revenue for the Year decreased to HK$59 million (2017 — HK$81 million), mainly due to the reduction in the interest rate of the loans to the LAAPL Group since January 2017. As a result, the segment reported a profit of HK$45 million for the Year (2017 — HK$72 million) before accounting for the share of results from the Group's joint ventures.

LAAPL is the vehicle holding a controlling stake of approximately 68.6% equity interest in OUE (together with its subsidiaries the "OUE Group") as at 31 March 2018. OUE is listed on the Main Board of 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 with emphasis on transformation of experiences and lives. With its core strategy of investing in and enhancing a stable of distinctive properties, the OUE Group is committed to developing a portfolio with a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value. The OUE Group has established a high quality property portfolio at prime locations in Singapore, Shanghai in the People's Republic of China (the "PRC") and Los Angeles in the US.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

The transformation of OUE Downtown in Singapore with innovative next-generation and new-to-market concepts from a commercial landmark into a mixed-use, work-live-play development with prime office space, luxury serviced residences and a vibrant retail mall was completed, with the new Downtown Gallery and Oakwood Premier OUE Singapore commencing operations in May and June 2017 respectively. Downtown Gallery with approximately 14,000 sq. m. of premium retail space spreading over six levels has an extensive mix of tenant offerings centred on lifestyle and wellness. Oakwood Premier OUE Singapore, occupying the 7th to 32nd storeys of OUE Downtown 1, is home to 268 serviced residences and caters to international travellers looking for luxury urban living with resort-style facilities in the heart of the Central Business District. Both properties contributed positively to the OUE Group's performance and recurrent income base. The iconic U.S. Bank Tower in downtown Los Angeles, a 75-storey Class A office tower enhanced with OUE Skyspace LA (a 2-storey open-air observation deck at the top of the tower offering unrivalled 360-degree city views), a first-of-its-kind Skyslide attraction, new upscale restaurants and an upgraded lobby featuring a dynamic high-resolution video art wall after transformation, also contributed to the revenue of the OUE Group. With the OUE Group's active marketing effort, all the development properties of OUE Twin Peaks in Singapore were fully sold by October 2017.

The LAAPL Group held, as at 31 March 2018, approximately 38.5% of the total number of stapled securities of OUE Hospitality Trust ("OUE H-Trust") which is listed on the Main Board of the SGX-ST. Its portfolio includes the 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery and the 563-room Crowne Plaza Changi Airport in Singapore. OUE H-Trust recorded stronger performance during the Year culminating in the highest distributable income achieved in a year since listing.

Further, the OUE Group had, as at 31 March 2018, an approximately 55.7% interest in OUE Commercial Real Estate Investment Trust which is also listed on the Main Board of the SGX-ST. Its property portfolio includes Grade A OUE Bayfront and One Raffles Place in Singapore as well as the properties at Lippo Plaza in Shanghai. The portfolio's committed occupancy increased to 96.9% as at 31 March 2018 with all three properties achieving higher-than-market office occupancy.

The mandatory unconditional cash offer by the OUE Group for all the remaining issued shares in OUE Lippo Healthcare Limited (formerly known as International Healthway Corporation Limited) ("OUELH") in Singapore (which became a subsidiary of the OUE Group in March 2017 and is listed on the Catalist Board of the SGX-ST) closed on 13 April 2017. OUELH is an integrated healthcare services and facilities provider owning 12 quality nursing homes in Japan and derives rental revenue therefrom as well as revenue from the operation of a hospital in Wuxi, Jiangsu Province, the PRC. It has plans to expand the existing hospital and develop a second hospital in the PRC and a wellness-themed integrated mixed-use development in Malaysia. It completed a strategic partnership with ITOCHU Corporation ("ITOCHU", a Tokyo Stock Exchange listed company) in February 2018, raising S$78.8 million via a private placement of OUELH shares to the ITOCHU group, representing a 25.3% stake in OUELH's enlarged share capital. As at 31 March 2018, the OUE Group owned approximately 64.3% equity interest in OUELH.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

OUE successfully issued approximately S$154.8 million 1.50% convertible bonds due 2023 and S$150 million 3.00% exchangeable bonds due 2023 in April 2018 which are listed on the SGX-ST.

The Group recorded a share of profit of joint ventures of HK$159 million from its investment in LAAPL for the Year (2017 — loss of HK$22 million). The share of profit recognised during the Year was mainly attributable to the net fair value gain on the joint ventures' investment properties. The share of loss for 2017 was mainly due 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 development properties and fair value gain from its investments designated at fair value through profit or loss. The Group's total interests in LAAPL as at 31 March 2018 increased to HK$10.5 billion (31 March 2017 — HK$9.5 billion). The increase was mainly attributable to the appreciation of the Singapore dollars, the fair value gain on available-for-sale financial assets of the joint ventures and the share of profit during the Year.

Property development

"M Residences" in Macau was fully sold following the sale of the remaining car and motor vehicle parking spaces in April 2018. On the other hand, sale of the remaining meagre number of shophouse and carparking spaces at Lippo Plaza in Beijing was sluggish due to Beijing's tightened policy on property sale and weakened market demand. With a substantial portion of the completed development properties sold and recognised in prior years, the segment revenue and segment profit for the Year decreased to HK$40 million (2017 — HK$108 million) and HK$24 million (2017 — HK$60 million) respectively, before accounting for the share of results from the Group's associates and joint ventures.

The Singapore residential market showed signs of recovery after bottoming out in 2017. Some of the remaining units of the luxurious Marina Collection in Sentosa, Singapore (in which the Group has a 50% interest) were sold during the Year. A portion of the remaining units are leased out. The Group shared a profit of associates of HK$6 million (2017 — loss of HK$1 million) from the investment.

Treasury and securities investments

The Group cautiously managed its investment portfolio and looked for opportunities to enhance yields and seek gains. In the absence of any material fair value gain on securities investment portfolio during the Year, the treasury and securities investments businesses recorded a net profit of HK$1 million for the Year (2017 — HK$27 million). Total revenue from treasury and securities investments businesses of HK$2 million during the Year (2017 — HK$9 million) was mainly attributable to the interest and dividend income received from the investment portfolio.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Banking

After the extension of the deadline from 30 June 2017 to 31 December 2017 for obtaining the approval by the Monetary Authority of Macau of the 31% MCB Disposal, such approval was obtained in October 2017. The completion of such disposal took place in early November 2017 whereupon the Group's equity interest in MCB reduced from 51% to 20% and accordingly, MCB ceased to be a subsidiary of the Group under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Group recorded a gain on the 31% MCB Disposal of approximately HK$114 million for the Year. As the total consideration for such disposal of HK$271 million was fully received as deposits in prior year, the balance of the segment liability as at 31 March 2017 was fully released to profit or loss during the Year.

Pursuant to the Amended and Restated Shareholders Agreement in June 2018, the Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the 5 years from 3 November 2017 (the "Put Option"). The fair value of the Put Option was included in "Other financial asset" of the Group's consolidated statement of financial position. As the Put Option became exercisable after the completion of the 31% MCB Disposal during the Year, the fair value of the Put Option increased to HK$49 million as at 31 March 2018 (31 March 2017 — HK$21 million), and a fair value gain of HK$27 million (2017 — loss of HK$4 million) was recognised. Coupled with the gain on such disposal, the banking business segment reported a profit of HK$141 million for the Year (2017 — loss of HK$4 million).

MCB continued to record strong growth in customer deposits and loans during the Year. Accordingly, the Group's share of profit from MCB increased to HK$19 million for the Year (2017 — HK$10 million).

Corporate finance and securities broking

Lippo Securities Holdings Limited ("LSHL", the wholly-owned securities arm of the Company) and its subsidiaries continued to face challenges in their operations amidst competition. This segment registered a total revenue of HK$17 million for the Year (2017 — HK$16 million) and the loss of this segment was HK$11 million for the Year (2017 — HK$11 million).

Segment assets as at 31 March 2018 decreased to HK$328 million (31 March 2017 — HK$872 million), mainly due to the corresponding reduction of client money held in trust. Accordingly, segment liabilities also decreased to HK$440 million (31 March 2017 — HK$988 million).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Financial Position

The Group's financial position remained healthy. As at 31 March 2018, its total assets amounted to HK$12.3 billion (31 March 2017 — HK$11.9 billion). Property-related assets amounted to HK$11.2 billion as at 31 March 2018 (31 March 2017 — HK$10.2 billion), representing 91% (31 March 2017 — 85%) of total assets. Total liabilities as at 31 March 2018 decreased to HK$1.0 billion (31 March 2017 — HK$1.9 billion), mainly due to the corresponding reduction of client money held in trust under corporate finance and securities broking business and the release of deposits received for the 31% MCB Disposal upon completion during the Year. The Group maintained a strong liquidity position. Total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) as at 31 March 2018 amounted to HK$545 million (31 March 2017 — HK$538 million). Current ratio as at 31 March 2018 amounted to 1.9 (31 March 2017 — 1.2).

As at 31 March 2018, the Group's bank and other borrowings amounted to HK$482 million (31 March 2017 — HK$477 million). 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 4.3% as at 31 March 2018 (31 March 2017 — 4.8%).

The net asset value attributable to equity holders of the Group remained strong and increased to HK$11.2 billion as at 31 March 2018 (31 March 2017 — HK$10.0 billion). This was equivalent to HK$5.6 per share (31 March 2017 — HK$5.0 per share).

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

To secure bank facilities made available to the Group's securities broking operation, certain bank deposits were pledged. Such bank facilities had not been utilised at the end of the Year. Save as aforesaid, the Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year (31 March 2017 — Nil).

The Group's commitments, mainly related to the property and securities investments, amounted to HK$7 million as at 31 March 2018 (31 March 2017 — HK$8 million). The investments or capital assets will be financed by the Group's internal resources and/or external bank financing, as appropriate.

Staff and Remuneration

The Group had 68 employees as at 31 March 2018 (31 March 2017 — 70 employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Year amounted to HK$38 million (2017 — HK$38 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.

Report of the Directors *(continued)*

PROSPECTS

The global economy's upward momentum is expected to continue throughout 2018 despite lingering uncertainties and downside risks mentioned above as well as the reversion of quantitative easing or alike in the US and Euro zone. The OUE Group's hospitality division is poised to benefit from higher demand in the light of the return of large biennial events in Singapore in 2018 and Singapore being the ASEAN chairman for the 32nd ASEAN Summit, amidst new hotel room supply that came on stream in the second half of the year 2017. The rebound of the office and retail markets in Singapore on the back of stronger economic fundamentals and more positive market sentiment would help foster the OUE Group's premier office and mall leasing although there may be potential negative reversions depending on the pace of recovery in spot rents in the Singapore Central Business District. The office rental outlook for the US and the PRC is soft due to increasing supply.

The PRC's committed near to long-term development plans and goals coupled with the Belt and Road Initiative and the US's favourable tax reform and deregulation are expected to bring about enormous business opportunities. The Group will take a prudent approach in managing its investments and assessing new opportunities in order to achieve sustainable growth and enhance shareholder 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 shareholder 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.

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 139 to 142, page 143 and page 144, 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 31 March 2018 are set out in the financial statements on pages 60 to 144.

An interim dividend of HK1 cent per share for the Year (2017 — HK1 cent per share) was paid in January 2018. The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2017 — HK1 cent per share) amounting to approximately HK$20 million for the Year (2017 — approximately HK$20 million). Total dividends for the Year will be HK2 cents per share (2017 — HK2 cents per share) amounting to approximately HK$40 million (2017 — approximately HK$40 million).

Report of the Directors *(continued)*

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 147.

SHARE CAPITAL

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

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 30 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in Note 44 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the Year are set out in Note 16 to the financial statements.

DONATIONS

During the Year, the Group did not make any charitable and other donations (2017 — HK$776,000).

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

Non-executive Director

Mr Leon Nim Leung Chan ("Mr Chan")

Independent non-executive Directors

Mr Victor Ha Kuk Yung ("Mr Yung")
Mr King Fai Tsui ("Mr Tsui")
Mr Edwin Neo ("Mr Neo") (appointed with effect from 1 January 2018)
Mr Albert Saychuan Cheok ("Mr Cheok") (resigned with effect from midnight on 31 December 2017)

In accordance with Bye-law 86(2) of the Bye-laws of the Company (the "Bye-laws"), Mr Neo will retire from office and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Bye-laws, Dr Riady will retire from office by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Report of the Directors *(continued)*

DIRECTORS *(continued)*

Each of Messrs Yung and Tsui 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 30 September 2016. Each of Dr Riady and Mr Lee 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 1 January 2017. Following the expiry of the term under his former letter agreement with the Company, Mr Chan 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 1 January 2018. Mr Neo 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 1 January 2018. Mr Cheok resigned as a Director of the Company with effect from midnight on 31 December 2017 following the expiry of his two-year term service on 31 December 2017. 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 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, Dr Riady entered into an employment agreement for his employment as an Executive President of the Company with effect from 1 January 2015. Mr Lee also entered into an employment agreement for his employment as the Chief Executive Officer of the Company with effect from 1 January 2015. The above employment agreements 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.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, 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.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr Stephen Riady, aged 58, was appointed a Director of the Company in 1992 and is the Chairman of the Board of Directors of the Company (the "Board"). 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 being public listed companies in Hong Kong. He has been the Executive President of each of the Company, Lippo and LCR since January 2015. He is a member of the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He also holds directorships in certain subsidiaries of the Company, Lippo and LCR. He is the Executive Chairman of OUE, a company listed on the Main Board of SGX-ST. He is a non-independent and non-executive director of OUELH and a non-executive non-independent director of Healthway Medical Corporation Limited ("HMC"). Both OUELH and HMC are listed on the Catalist Board of SGX-ST. He is an executive director of Auric Pacific Group Limited ("Auric"), a company formerly listed on the Main Board of SGX-ST. Dr Riady is a director of Lippo Capital Group Limited ("Lippo Capital Group"), Lippo Capital Holdings Company Limited ("Lippo Capital Holdings") and Lippo Capital Limited ("Lippo Capital") which, together with Lippo, have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (the "SFO"). He is a graduate of the University of Southern California, the US and holds a Master Degree of Business Administration from Golden Gate University, the US and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Dr Riady is the spouse of Madam Shincee Leonardi ("Madam Leonardi") and a brother of Mr James Tjahaja Riady ("Mr James Riady"). Madam Aileen Hambali ("Madam Hambali") is the spouse of Mr James Riady. The interests of Madam Leonardi, Mr James Riady and Madam Hambali in the Company are disclosed in the section headed "Interests and short positions of shareholders discloseable under the SFO" below.

Mr John Luen Wai Lee, BBS, JP, aged 69, 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 also a non-executive non-independent chairman of HMC. He is a director of Prime Success Limited ("Prime Success") and Hennessy Holdings Limited ("Hennessy") which have discloseable interests in the Company under the provisions of the SFO. He is an authorised representative of the Company, Lippo and LCR. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and LCR. He 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. He 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. He is active in public service. Over the years, he has served as a member or chairman of different government boards and committees in Hong Kong, including a member of the Hong Kong Hospital Authority and the Chairman of the Hospital Governing Committee of the Queen Elizabeth Hospital. Currently he serves as the Chairman of the Hospital Governing Committee of Hong Kong Children's Hospital, a member of the Public Service Commission and the Chairman of the Investment Committee of the Hospital Authority Provident Fund Scheme.

Report of the Directors *(continued)*

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

Mr Leon Nim Leung Chan, aged 62, 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. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of the Company, Lippo and LCR. He is also a director of a subsidiary of the Company.

Mr Victor Ha Kuk Yung, aged 64, 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. He 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. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong.

Mr King Fai Tsui, aged 68, 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. He worked for two of the Big Four audit firms in the US 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 US and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. He is an independent non-executive director of Lippo and LCR. He is the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and the Nomination Committee of each of Lippo and LCR.

Report of the Directors *(continued)*

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

Mr Edwin Neo, aged 68, was appointed an independent non-executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 1 January 2018. Mr Neo was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. He is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. He holds a Bachelor of Laws degree with honours and Post-graduate Certificate in Laws from The University of Hong Kong. He is also an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of each of Lippo and LCR. He was an independent non-executive director of Auric. He was an independent non-executive Director of the Company from 16 January 1995 to 10 March 1998.

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 hereinbelow:

(a) the fixed bonus of Dr Riady in an amount of HK$83,000;

(b) the director's fee of Mr Lee in an amount of HK$30,000 for serving as director of a subsidiary of the Company; and

(c) the director's fee of Mr 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 Riady and Mr Lee 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 is entitled to receive a director's fee from the Company. The director's fee paid to each of the Directors was HK$230,400 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. The fees paid to the non-executive Directors for serving as the Chairmen and/or members of various Board committees for the Year were as follows:

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

With effect from 1 April 2018, the director's fee payable to each of the Directors was adjusted from HK$230,400 per annum to HK$238,800 per annum and the fees payable to the non-executive Directors per annum for serving as Chairmen and/or members of various Board committees were adjusted as follows:

	HK$
Chairman	79,200
Member	51,600

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 31 March 2018, 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 SFO) (the "Associated Corporations" and each an "Associated Corporation"), 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (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	Corporate interests (interest of controlled corporations)	Total interests	Approximate percentage of total interests in the issued shares
Number of ordinary shares in the Company					
Stephen Riady	–	–	1,430,081,492 *Notes (i) and (ii)*	1,430,081,492	71.57
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					
Stephen Riady	–	–	369,800,219 *Note (i)*	369,800,219	74.98
John Luen Wai Lee	1,031,250	–	–	1,031,250	0.21
Number of ordinary shares in LCR					
Stephen Riady	–	–	6,890,184,389 *Notes (i) and (iii)*	6,890,184,389	74.99

Note:

(i) As at 31 March 2018, Lippo Capital, an Associated Corporation, and through its wholly-owned subsidiary, J & S Company Limited ("J & S"), was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in Lippo, representing approximately 74.98% of the issued shares thereof. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings, an Associated Corporation, which in turn was a wholly-owned subsidiary of Lippo Capital Group, an Associated Corporation. Dr Riady was the beneficial owner of one ordinary share in Lippo Capital Group, representing 100% of the issued share capital thereof.

(ii) As at 31 March 2018, Lippo, through its 100% owned subsidiaries, was indirectly interested in 1,430,081,492 ordinary shares in the Company, representing approximately 71.57% of the issued shares thereof.

(iii) As at 31 March 2018, Lippo, through its 100% owned subsidiaries, was indirectly interested in 6,890,184,389 ordinary shares in LCR, representing approximately 74.99% of the issued shares thereof.

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)*

Through Dr Riady's interest in Lippo Capital Group, he was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations as at 31 March 2018:

Name of Associated Corporation	Note	Class of shares	Number of shares interested	Approximate percentage of interest in the issued shares
Abital Trading Pte. Limited	(a)	Ordinary shares	2	100
Auric Pacific Group Limited	(b)	Ordinary shares	61,927,335	50.30
Bentham Holdings Limited	(c)	Ordinary shares	1	100
Blue Regent Limited	(a)	Ordinary shares	100	100
Boudry Limited	(a)	Ordinary shares	10	100
	(a)	Non-voting deferred shares	1,000	100
Brainy World Holdings Limited ("Brainy World")	(d)	Ordinary shares	1	100
Brimming Fortune Limited	(a)	Ordinary shares	1	100
Broadwell Overseas Holdings Limited	(a)	Ordinary shares	1	100
First Tower Corporation	(e)	Ordinary shares	1	100
Gemdale Properties and Investment Corporation Limited	(f)	Ordinary shares	4,706,452,795	29.68
Grand Peak Investment Limited	(a)	Ordinary shares	2	100
Great Honor Investments Limited	(a)	Ordinary shares	1	100
Greenorth Holdings Limited	(a)	Ordinary shares	1	100
Hennessy Holdings Limited	(e)	Ordinary shares	1	100
HKCL Investments Limited	(a)	Ordinary shares	1	100
International Realty (Singapore) Pte. Limited	(a)	Ordinary shares	2	100
J & S Company Limited	(a)	Ordinary shares	1	100
Lippo Assets (International) Limited	(a)	Ordinary shares	1	100
	(a)	Non-voting deferred shares	15,999,999	100
Lippo Capital Limited	(c)	Ordinary shares	423,414,001	60
Lippo Capital Holdings Company Limited	(g)	Ordinary shares	1	100
Lippo Finance Limited	(a)	Ordinary shares	6,176,470	82.35
Lippo Health Care Limited	(h)	Ordinary shares	1	100
Lippo Investments Limited	(a)	Ordinary shares	2	100
Lippo Realty Limited	(a)	Ordinary shares	2	100
MG Superteam Pte. Ltd.	(a)	Ordinary shares	1	100
Multi-World Builders & Development Corporation	(a)	Ordinary shares	4,080	51
Prime Success Limited	(e)	Ordinary shares	1	100
Skyscraper Realty Limited	(e)	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd.	(a)	Ordinary shares	100,000	100
Valencia Development Limited	(a)	Ordinary shares	800,000	100
	(a)	Non-voting deferred shares	200,000	100
Winroot Holdings Limited	(a)	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)*

Note:

(a) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, a 60% owned indirect subsidiary of Lippo Capital Group.

(b) Of these shares, 4,999,283 shares were held by Jeremiah Holdings Limited ("Jeremiah"), a 60% owned indirect subsidiary of LCR; 20,004,000 shares were held by Nine Heritage Pte Ltd, an 80% owned direct subsidiary of Jeremiah; and 36,924,052 shares were held by indirect wholly-owned subsidiaries of LCR. In addition, as at 31 March 2018, Dr Riady was interested in 26,701,737 ordinary shares in Auric held by Silver Creek Capital Pte. Ltd. ("Silver Creek"). Dr Riady is the beneficial owner of 70% of the issued shares in Silver Creek. Accordingly, Dr Riady was interested and taken to be interested in an aggregate of 88,629,072 ordinary shares in Auric, representing approximately 71.99% of the issued shares thereof.

(c) Such share(s) was/were held directly by Lippo Capital Holdings which in turn was a direct wholly-owned subsidiary of Lippo Capital Group.

(d) Such share was 100% held directly by LCM (China) Pte Ltd, an 86.16% owned indirect subsidiary of OUE. OUE was indirectly owned as to approximately 68.63% by Fortune Code Limited ("FCL"). The Company, through its 50% joint venture, held 92.05% interest in FCL.

(e) Such share(s) was/were 100% held directly or indirectly by Lippo.

(f) Such shares were held by OUE Lippo Limited which was indirectly owned as to 50% by OUE.

(g) Such share was 100% held directly by Lippo Capital Group.

(h) Such share was 100% held directly by Brainy World.

As at 31 March 2018, 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.

All the interests stated above represent long positions. Save as disclosed herein, as at 31 March 2018, 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 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 31 March 2018, 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.

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 SFO

As at 31 March 2018, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name of substantial shareholders	Number of ordinary shares	Approximate percentage of the issued shares
Hennessy Holdings Limited	1,430,081,492	71.57
Prime Success Limited	1,430,081,492	71.57
Lippo Limited	1,430,081,492	71.57
Lippo Capital Limited	1,430,081,492	71.57
Lippo Capital Holdings Company Limited	1,430,081,492	71.57
Lippo Capital Group Limited	1,430,081,492	71.57
Madam Shincee Leonardi	1,430,081,492	71.57
PT Trijaya Utama Mandiri (“PT TUM”)	1,430,081,492	71.57
Mr James Tjahaja Riady	1,430,081,492	71.57
Madam Aileen Hambali	1,430,081,492	71.57

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,430,081,492 ordinary shares in the Company, representing approximately 71.57% of the issued shares thereof.

2. Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.

3. Lippo Capital, and through its wholly-owned subsidiary, J & S, was directly and indirectly interested in approximately 74.98% of the issued ordinary shares of Lippo.

4. Lippo Capital Holdings owned 60% of the issued shares in Lippo Capital. Lippo Capital Group owned 100% of the issued share capital of Lippo Capital Holdings. Dr Riady was the beneficial owner of 100% of the issued share capital of Lippo Capital Group. Madam Leonardi is the spouse of Dr Riady.

5. PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr James Riady who is a brother of Dr Riady. Madam Hambali is the spouse of Mr James Riady.

6. Hennessy’s interests in the ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Leonardi, PT TUM, Mr James Riady and Madam Hambali. The above 1,430,081,492 ordinary shares in the Company related to the same block of shares that Dr 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”.

All the interests stated above represent long positions. Save as disclosed herein, as at 31 March 2018, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Lippo Group (a general reference to the companies in which Dr 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 31 March 2018, 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.

All the Directors of the Company are also directors of Lippo and LCR. 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 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 Bye-laws and 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.

CONNECTED TRANSACTION

Regarding the sale and purchase agreement dated 28 October 2015 (as amended) (the "Sale and Purchase Agreement") between Winwise Holdings Limited (the "Vendor") and 南粵(集團)有限公司 (Nam Yue (Group) Company Limited) (the "Purchaser") for the disposal by the Vendor of 416,000 shares in MCB (representing 16% of the issued shares thereof) to the Purchaser (the "16% MCB Disposal", being part of the 31% MCB Disposal), the Vendor and the Purchaser entered into a supplemental agreement on 30 June 2017 to further extend the deadline for obtaining the approval of Autoridade Monetária de Macau (the Monetary Authority of Macao) of the 16% MCB Disposal from 30 June 2017 to 31 December 2017. Such approval was subsequently obtained in October 2017 and the 16% MCB Disposal was completed on 3 November 2017.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The Group had granted financial assistance to FCL, a subsidiary of LAAPL which in turn is a principal joint venture of the Group. The relevant advances disclosed pursuant to Rule 13.13 of the Listing Rules and remained outstanding as at 31 March 2018 were granted under the following loan agreements:

(i) a loan agreement dated 29 May 2015 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 28 August 2015 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 28 August 2015 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 12 October 2015 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;

Report of the Directors *(continued)*

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES *(continued)*

(v) a loan agreement dated 30 November 2015 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 19 July 2016 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 20 October 2016 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 4 January 2017 (the "October 2016 Facility Drawdown Date") and is unsecured, subject to an interest rate of 2.25% 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 20 June 2013.

On 20 October 2016, PLH assigned all of its 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 20 October 2016 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 was amended from 6.5% per annum to 2.25% per annum and the repayment date was amended to repayable on demand.

On 4 January 2017, PLH assigned all of its 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 4 January 2017 between, inter alia, PSL and FCL, with effect from 4 January 2017, the interest rate of each of the Interim Loan, the Second Interim Loan and the New Loan was amended from 6.5% per annum to 2.25% per annum and such loans will be repayable on demand.

All the above advances to FCL are unsecured. As at 31 March 2018, the balance of the above advances amounted to approximately S$380,420,000 (equivalent to approximately HK$2,275,520,000).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 39 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 any 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 any 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.

Report of the Directors *(continued)*

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 59% of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 44%. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's aggregate purchases.

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate 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 status, the Group aims at delivering high standards of quality in the products and services 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 24 to 33.

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 34 to 42. 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 Company's ESG Report is set out on pages 43 to 54.

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 operations 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 Listing Rules.

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

27 June 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring a high standard of corporate governance practices. 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 shareholder value.

During 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 Listing Rules.

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 contained in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiry of all the Directors, all the 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 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 10), 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) (the "Company Website") and the Stock Exchange's website (www.hkexnews.hk) (collectively the "Websites"). 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.

Mr Yung and Mr Tsui have served as independent non-executive Directors 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 Mr Yung and Mr Tsui 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.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Mr Cheok resigned as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board (collectively the "Committees") with effect from midnight on 31 December 2017. Mr Neo was appointed as an independent non-executive Director and a member of each of the Committees with effect from 1 January 2018.

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 the 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 the Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

The Committees 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. Nine 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 the meetings of the Committees during the Year are set out below:

	Attendance/Number of Meetings				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting*
Executive Directors					
Dr Stephen Riady *(Chairman)*	5/9	N/A	2/2	2/2	1/1
Mr John Luen Wai Lee *(Chief Executive Officer)*	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Mr Leon Nim Leung Chan	8/9	3/3	2/2	2/2	1/1
Independent non-executive Directors					
Mr King Fai Tsui *(Chairman of the Audit Committee, Remuneration Committee and Nomination Committee)*	6/9	3/3	2/2	2/2	1/1
Mr Victor Ha Kuk Yung	5/9	3/3	2/2	2/2	1/1
Mr Edwin Neo *(appointed with effect from 1 January 2018)*	1/2	1/1	N/A	N/A	N/A
Mr Albert Saychuan Cheok *(resigned with effect from midnight on 31 December 2017)*	3/7	2/2	1/2	1/2	1/1

* the only general meeting of the Company held during the Year was the annual general meeting held on 1 September 2017 (the "2017 AGM")

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Dr 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 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

The 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 Websites. The Remuneration 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 executive Directors of the Company only.

The principal role of the Remuneration 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 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). The Remuneration Committee also assessed the performance of the executive Directors.

A majority of the Remuneration Committee members are non-executive Directors and three of them are independent. The Remuneration Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr 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. Mr Neo was appointed as an independent non-executive Director and a member of each of the Committees with effect from 1 January 2018. In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Neo will retire from office at the forthcoming 2018 annual general meeting of the Company (the "2018 AGM") and, being eligible, will offer himself for re-election.

The 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 Websites. The principal role of the Nomination 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 2017 AGM and the appointment of Mr Neo and the new Company Secretary, and assessed the independence of the independent non-executive Directors. It also reviewed the existing structure, size, composition, diversity and efficiency of the Board.

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. It 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 Website. The Company believes that diversity can strengthen the performance of the Board, and promote effective decision-making and better corporate governance and monitoring.

A Majority of the Nomination Committee members are non-executive Directors and three of them are independent. The Nomination Committee comprises five members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo, a non-executive Director, namely Mr Chan and an executive Director, namely Dr Riady. The composition of the Nomination 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.

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 Website.

DIRECTORS' TIME COMMITMENT AND TRAINING

The Company received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. The Directors are encouraged to participate in professional, public and community organisations. The 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 2018 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 the 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)*

The 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. The 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 existing Directors to the Company, all of them participated in continuous professional development during the Year through the above means. Records of their training during the Year are as follows:

Directors	Training received
Executive Directors	
Dr Stephen Riady *(Chairman)*	(1), (2) and (3)
Mr John Luen Wai Lee *(Chief Executive Officer)*	(1), (2) and (3)
Non-executive Director	
Mr Leon Nim Leung Chan	(1), (2) and (3)
Independent non-executive Directors	
Mr Victor Ha Kuk Yung	(1), (2) and (3)
Mr King Fai Tsui	(1), (2) and (3)
Mr Edwin Neo	(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 consolidated 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$3.0 million (2017 — HK$2.9 million) and approximately HK$0.5 million (2017 — HK$0.2 million), respectively.

AUDIT COMMITTEE

The Board established the 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 Websites. It 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. It is also responsible for the Company's corporate governance functions. All the members of the Audit Committee are non-executive Directors and three of them including its Chairman are independent. The Audit Committee comprises four members including three independent non-executive Directors, namely Messrs Tsui (being the Chairman), Yung and Neo and a non-executive Director, namely Mr Chan. Three meetings were held during the Year and the individual attendance of each member is set out above.

The members of the Audit Committee possess diversified industry experience and its Chairman has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Audit Committee will meet at least twice each year. Management and auditor normally attend the meetings. In addition, the Audit Committee holds regular meetings with external auditor without the presence of executive Directors.

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 the 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 the Directors. It also recommended to the Board that, subject to the shareholders' approval at the 2018 AGM, Ernst & Young shall 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 CONTROL

The Board recognises its responsibility for maintaining adequate systems of risk management and internal control on an ongoing basis 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 34 to 42. 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) of the Group (the "Inside Information") 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 and an Anti-corruption Policy were also adopted by the Group.

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

INTERNAL AUDIT

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

The principal roles of the internal audit are to ensure the effectiveness of internal control procedures and 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 risk management process so as to address the financial, operational and compliance risks 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.

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 24 July 2017.)

Corporate Governance Report *(continued)*

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.

The Company Website is maintained to provide effective communication. 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 Website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 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, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 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 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. An Inside Information Policy was adopted by the Company which sets out guidelines to ensure Inside Information 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 Websites.

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 the Hong Kong Financial Reporting Standards, the Listing Rules and other regulatory requirements. As at 31 March 2018, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or 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 the 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 55 to 59.

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

Effective risk management is essential for the Group to take the appropriate level of risks and opportunities in pursuing its strategic and business goals. After the revamp of the Group's risk management framework during the year ended 31 March 2017, the Group has continued to look for improvements and put an effort in fine-tuning the enhanced framework for the Year so as to be further commensurate with the Group's businesses and structure. The Group is committed to the continuous improvement of the risk management system in order to facilitate the long-term growth and sustainability of its businesses.

The Group's risk management framework is established with reference to ISO 31000:2009 Risk Management — Principles and Guidelines and COSO Enterprise Risk Management — Integrated Framework (2004), which comprises 3 key components:

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

RISK MANAGEMENT STRATEGY

The Group recognises the importance of a proactive risk culture to the effective implementation of a risk management system. In order to foster the desired risk culture, the Group has adopted the following "LILAC" approach:

Leadership	Senior Management of the Group leads the design and implementation of the risk management framework so as to set the tone at top
Involvement	The Group engages appropriate personnel in each stage of the risk management process
Learning	The Group provides sufficient trainings and guidelines to corresponding personnel regarding the Group's risk management framework and procedures
Accountability	The Group emphasizes that each of the personnel has the corresponding responsibility on the management of risks
Communication	The Group maintains on-going communication with respective personnel on relevant risk topics

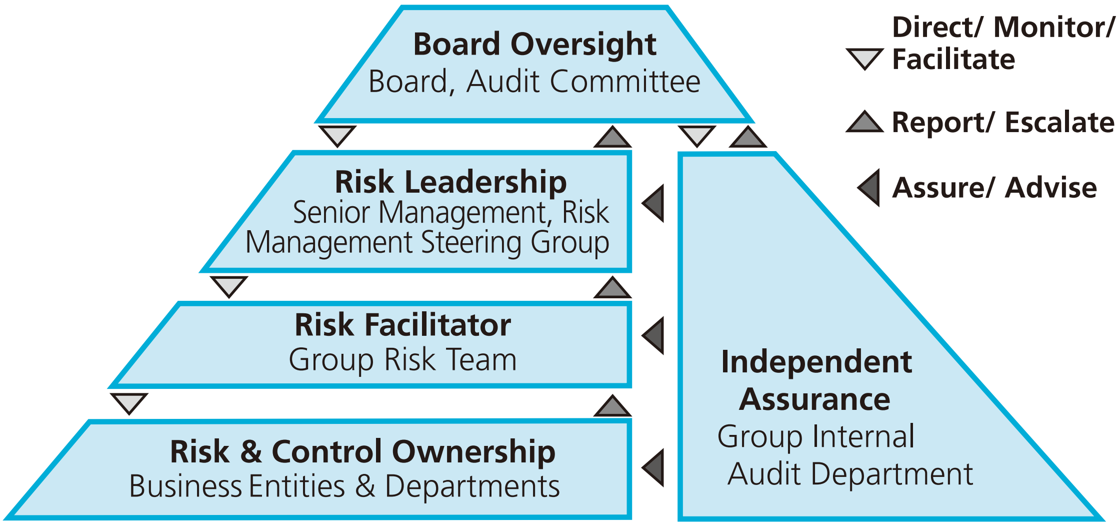
Furthermore, the risk management system is integrated into various parts of the business and day-to-day operation processes instead of a standalone program, and the Group aims to achieve the following objectives through the risk management activities:

- 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 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 and internal control systems

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 (the "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 the Audit Committee with 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 the 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

Business Entities and Departments

- Identify and review changes in risks in line with changes in the business environment
- Analyse 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 risk and control self-assessment activity to evaluate the effectiveness of risk management and internal controls for their respective entities

Independent Assurance

Group Internal Audit Department

- Conduct audit projects on various entities and functions across the Group and provide independent review on (a) the adequacy and effectiveness of the 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.

Establish Context	The Group establishes risk assessment criteria and risk matrix to cascade the risk appetite across the Group and provides referencing risk inventory
Identify Risk	Respective business entities and the Group's management identify the risks in their areas of businesses or operations
Analyse and Evaluate Risk	Respective business entities and the Group's management assess the likelihood and impact of the risks, determine acceptance and prioritize the risks
Treat Risk	Respective business entities and the Group's management evaluate the existing risk controls and formulate risk treatment plan if appropriate
Report and Monitor Risk	Respective business entities and the Group's management report the risk profile regularly to appropriate level of authority and maintain on-going monitoring

Risk Management Report *(continued)*

CONTINUOUS IMPROVEMENT

The Group continues to strive for improvement on its risk management system and has taken a series of actions during the Year:

Component	Enhancement
Risk Management Strategy	✓ Established the Group's risk appetite statements to provide a clear direction for nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives ✓ Revised enterprise risk management manual to incorporate changes in the Year and enhanced the readability of the manual
Risk Governance	✓ Established and implemented Risk and Control Self-Assessment ✓ Collaborated with Group Internal Audit Department to establish risk-based audit plan and conduct audits on the risk management of the entities of the Group
Risk Management Process	✓ Refined the risk assessment criteria and risk map to cascade the Group's risk appetite for risk assessment ✓ Revised risk reporting templates to enhance better understanding of the reporting requirement by the reporting personnel ✓ Conducted refresher workshops to update risk owners and representatives with the necessary risk knowledge and information ✓ Encouraged risk owners to engage corresponding stakeholders in the discussion of risks throughout the risk management process ✓ Reported risk profile in a more specific manner with respect to the specific industries ✓ Increased the frequency of review on the entities' risk profile and progress of respective risk treatment plans

MATERIAL RISKS

During the Year, the Group conducted risk review from the Group's perspective and on the risk profile submitted by the underneath business entities. Through this combined top-down and bottom-up risk review process, the Group has identified the material risks of various business segments for the Year.

The Group classifies risks into 4 main categories:

Strategic – Risk resulting from suboptimal determination and execution of business strategies or changes in external business environment, which may impact the Group in the long term.

Operational – Risk of potential financial losses and/or business instability arising from failures in internal controls, operational processes, or in the system that supports them.

Financial – Risk resulting from financial and reporting activities and/or use of financial instruments.

Compliance – Risk of non-compliance with any internal requirements/standards, legal/regulatory requirements, and/or any related third party legal actions/disputes.

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

A. Group Investments & Operations

Risks	Examples of Response Taken	Risk Trend
Strategic — Direction and Execution Risk The risk of failing to develop and deliver effective long-term strategy, thereby impacting the long term growth and/or competitive position of the Group.	• Periodic planning exercises between the Group's management and entities' responsible officers to discuss and analyse their strategic directions • Regular meetings amongst Board members and senior management to review the execution of strategic plan • Proactive environmental strategies on various business markets	⇈
Strategic — 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 investee companies, thereby impacting the Group's profitability and/or financial strength.	• Adequate risk assessment in the investment decision process • Setting 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	⇔
Strategic — Partnering Risk The risk of inefficient or ineffective partnership (such as joint venture) or adverse actions/events of partners (such as legal action and quitting of partnership), thereby impacting the Group's profitability or reputation and/or exposing the Group to financial loss.	• Negotiation of agreements to clearly define the governance structure, rights, roles and responsibilities of different parties. • Enhanced due diligence before entering into partnership • Development of exit strategy • Regular review and monitoring of joint venture status	⇔

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

B. Financial Service Business

Risks	Examples of Response Taken	Risk Trend
Operational — Cyber Attack Risk The risk of cyber attack on the Group's systems/servers, thereby exposing the Group to information leak/loss, financial loss and/or business disruption.	• Established access control and virus protection • Virtual PCs and workstations for separating vital systems from outside environment • Daily and monthly offsite backup of data files and all system reports • Review of the security of the systems against evolving threats	
Compliance — Legal/Regulatory Compliance Risk The risk of violation of legal/regulatory requirements of the jurisdiction/supervisory agency, thereby exposing the Group to legal/regulatory actions and/or financial loss.	• Group level oversight of entities' compliance programs including the program status and progress of actions • 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 monitoring of the regulatory changes	
Operational — Conversion/Integration Risk The risk of adverse system event (such as system malfunction or crash, error reporting/execution by system and incorrect data flow) during IT system conversion/integration, thereby exposing the Group to business disruption.	• Comprehensive review of vendor access control to the systems and applicable features before any system adoption • Formation of committee comprising management, IT and representatives from affected functions to oversee project and gather user requirements • User acceptance testing and parallel run of new and old systems before full implementation	

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

C. Property Investment, Property Development and Management Services

Risks	Examples of Response Taken	Risk Trend
Operational — Work Safety Risk The risk of safety accident, real or perceived threat to health or safety, thereby impacting the Group's reputation or exposing the Group to extra financial burden.	• Provision of personal protective equipment, such as masks, gloves and safety shoes • Provision of first aid tools • Insurance coverage on labour accidents • Safety induction and reinforcement in weekly meeting • Established guideline on handling of safety Incident	
Strategic — Competitor Risk The risk of competitors' actions (such as aggressive pricing and introduction of new products/services) or new entrants to the market, thereby impacting the Group's ability to achieve the market share target and/or sale revenue target.	• Sourcing of more appropriate leasing agents • Adjustment of commission to motivate leasing agents • Taking aggressive measures to expedite leasing	
Operational — Non-natural Disaster Risk The risk of non-natural major disaster (such as power disruption and equipment breakdown) interrupting operation, production or service delivery, thereby impacting the Group's ability to sustain operation and/or recover operating cost.	• Established emergency plan for power disruption • Regular preventive maintenance	

Risk level has increased

Risk level has remained steady

Risk Management Report *(continued)*

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the Year, the Board, through 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's material risks and entities' risk profile including key mitigations;

3. Risk and control self-assessment by various entities;

4. Regular audit reports by the Group Internal Audit Department for audit evaluation of the internal controls and key findings with relevant recommendations;

5. Consideration on the adequacy of resources, staff qualifications and experience, training programmes and budgets of the accounting, internal audit and financial reporting functions;

6. Consideration on the scope and quality of management's ongoing monitoring of the systems; and

7. 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 Board, with the confirmation from the Management of the Group, considered the risk management and internal control systems to be effective and adequate for the Year. However, it should be acknowledged that the systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against such risks.

Environmental, Social And Governance Report

ABOUT THIS REPORT

By reporting the policies, measures and performances of the Group in environmental, social and governmental aspects, this report allows all stakeholders to better understand the progress of the Group towards sustainability.

Reporting Boundary

This report focuses on the operations of the Company's head office in Hong Kong and its subsidiaries in property investment and development as well as corporate finance and securities broking for the Year. While this report does not cover all of the Group's operations, it is the Group's aim to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure where appropriate.

Business	Subsidiaries covered in the reporting boundary
Property investment, development and management	北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.) ("Beijing Lippo") 成都力寶置業有限公司 (Chengdu Lippo Realty Limited) ("Chengdu Lippo") Fairseas 1 Pte. Ltd. ("Fairseas") One Realty Pte. Limited ("One Realty")
Corporate finance and securities broking	LSHL
Management services	HCL Management Limited ("HCL Management")

Reporting Standard

This report is prepared in accordance with the 'comply or explain' provisions of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 of the Listing Rules. The four reporting principles: materiality, quantitative, balance and consistency form the backbone of this report. Selected key performance indicators that are categorised by the ESG Reporting Guide as 'recommended disclosures' for enhanced reporting are included for readers' easy reference.

To ensure the accuracy of environmental key performance indicators, the Group commissioned a professional consultant to conduct a carbon assessment.

Confirmation

Information in this report is sourced from the official documents, statistical data, and management and operational information of and collected by the Group.

Opinion and Feedback

The Group values the opinion of stakeholders. Any stakeholder having any questions or suggestions on this report is welcome to contact the Group by post or email to the following:

Address: 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong
Email: hkc.ir@lippohk.com

Environmental, Social And Governance Report *(continued)*

STAKEHOLDER ENGAGEMENT

As a key in the business management of the Group, stakeholder participation helps the Group review potential risks and business opportunities. Exchange with stakeholders and understanding their views allow the Group to better fulfil their needs and expectations with its business practices and address different stakeholders' opinions. The Group continuously communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group the chance to listen to them in order to identify the priority of issues and develop corresponding policies.

Main Means of Stakeholder Engagement

Internal Stakeholders	External Stakeholders
• C-level executives	• Investors
• Board of directors	• Shareholders
• Senior and middle management	• Suppliers
• General staff	• Business partners
	• Auditors
	• Service providers
	• Customers

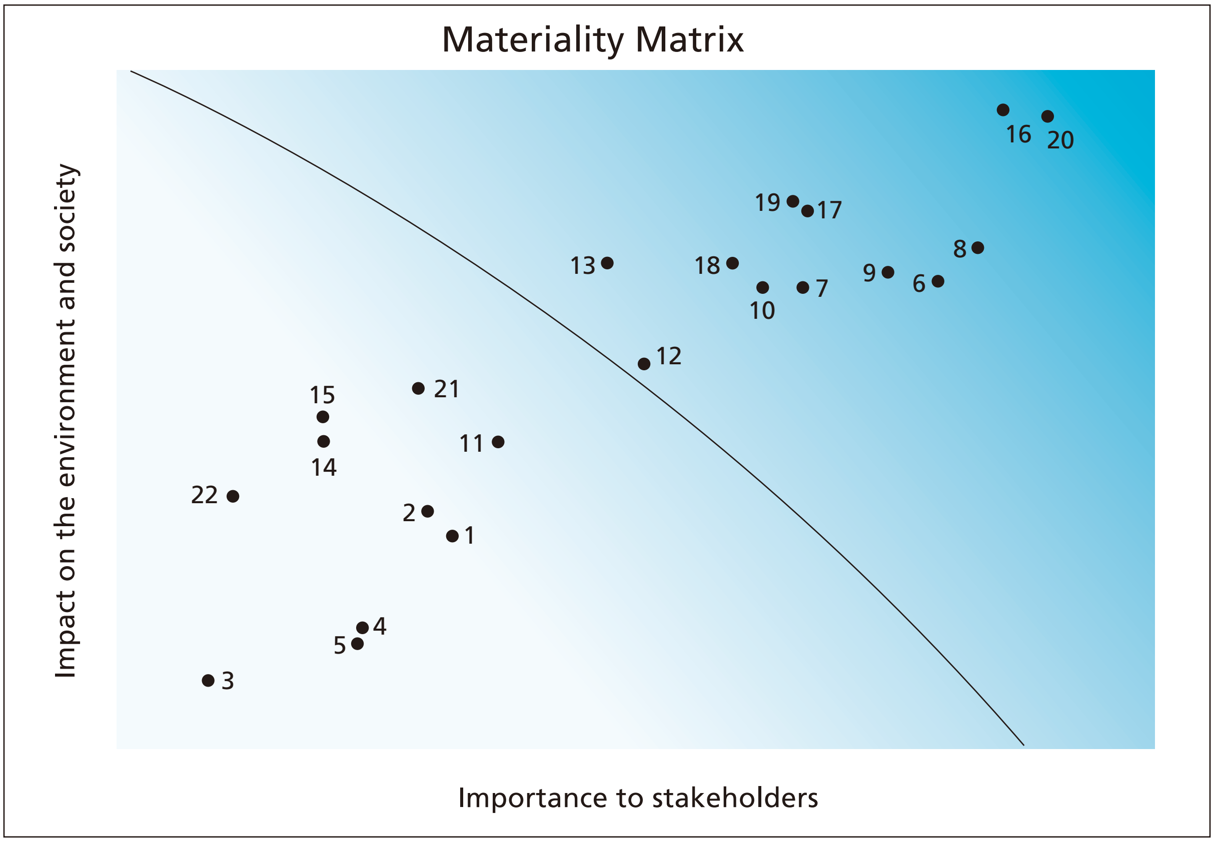
Engagement methods:
Meetings, emails, telephone, interviews, conferences, visits, website, survey

Regarding the materiality analysis, the Group commissioned the aforesaid consultant to carry out different methods of stakeholder engagement. To understand the Group's vision and goals in sustainability, an in-depth interview was conducted with the senior management. It was followed by a survey for both internal and external stakeholders and a total of 67 responses were received. Combining the interview responses, the survey responses and expert advice, the Group has identified 12 out of 22 issues relating to the environmental and social aspects to be the material focus of this report.

Environmental, Social And Governance Report *(continued)*

STAKEHOLDER ENGAGEMENT *(continued)*

Main Means of Stakeholder Engagement *(continued)*



Number (see materiality matrix above)	**Identified Material Issues**
20	Bribery, extortion, fraud and money laundering
16	Customer information and privacy
8	Safe and healthy working environment
6	Employment management system
17	Quality management and after-sales service
19	Intellectual property rights
9	Training and development
7	Employer-employee relations
18	Fair and responsible marketing communication and information
10	Discrimination, employee diversity and equal opportunities
13	Fair treatment of all business partners
12	Child labour and forced labour

To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response on an ongoing basis. When necessary, the Group will consider the possibility of further strengthening its interaction with stakeholders to create mutually beneficial relationships.

Environmental, Social And Governance Report *(continued)*

OPERATING PRACTICES

Anti-corruption

The Group is aware of the impact of its activities and its relationships with various stakeholders. With set policies against bribery, extortion, fraud and money laundering, the Group regards honesty, integrity and fair play as core values to be upheld by all employees.

Anti-corruption and whistleblowing

The Group has established the Anti-corruption Policy for all directors and staff, with guidance on acceptance of advantage and handling of conflict of interest. In particular, employees of the LSHL group are required to follow a specific code of conduct in its Compliance Manual relating to its business nature, as well as its Prevention of Money Laundering and Terrorist Financing Policy.

According to the Group's Whistleblowing Policy, a whistleblower should report any suspected misconduct, malpractice or irregularity to his/her manager or head of department, and even directly to the Group Internal Audit Department ("GIA"), the Chief Executive Officer of the Company or the Audit Committee (as the case may be). The Audit Committee and the GIA assess and investigate reports received. The process is kept confidential and the whistleblower is protected against unfair dismissal, victimisation or unwarranted disciplinary action. For effective monitoring and implementation, the Whistleblowing Policy is reviewed periodically by the head of the GIA.

During the Year, the Group did not identify any cases of non-compliance with laws and regulations in relation to corruption or whistleblowing.

Product Responsibility

During the Year, the Group established the Product and Service Responsibility Policy which defines the Group's commitment with regards to safety and quality of its products and services, customer feedback and product recall, advertising and labelling, as well as protection of customer data and intellectual property.

Property investment and development

The Group strives to maintain customer satisfaction and foster mutually beneficial relationships by providing quality and reliable products and services, and paying attention to customer relationship. Chengdu Lippo pays regular visit to its tenants to collect their feedback.

As the Group did not have any ongoing property project under development during the Year, health and safety as well as quality project management were not material issues for the business segments.

Corporate finance and securities broking

The LSHL group has established procedures to handle customer complaints. All complaints should be directed to the Compliance Department and investigated by staff performing the compliance function who is not directly involved in the subject matter of the complaint. Each case must be promptly responded to and concluded in writing.

To ensure the quality of its services, the LSHL group has a Compliance Manual in place detailing the code of conduct for all employees based on the requirements of both the Group and the Securities and Futures Commission (the "SFC"). Financial recommendations to clients are drawn following the 'Know Your Client' approach in accordance with the SFC guidelines.

Environmental, Social And Governance Report *(continued)*

OPERATING PRACTICES *(continued)*

Product Responsibility *(continued)*

Customer data and intellectual property

The Group also acknowledges the importance of protecting customer data and intellectual property. In the Group's Product and Service Responsibility Policy, employees are required to follow its guiding principles and to comply with applicable laws to protect customer data privacy and the Group's intellectual property and to respect others' intellectual property.

Advertising and labelling

The Group recognises its responsibility in advertising and labelling. In its Product and Service Responsibility Policy, the Group has stated its commitment in disclosing adequate information to customers, and promoting and advertising products and services in ways that do not mislead consumers.

During the Year, the Group did not identify any cases of non-compliance with laws and regulations in relation to product responsibility.

Supply Chain Management

During the Year, the Group established the Sustainable Supply Chain Policy with the goal of building a sustainable supply chain by enhancing its supply chain management. The Group takes into consideration environmental and social factors in its supplier selection process, with preference for suppliers with better performance in business ethics, product/service safety and quality, work health and safety, social responsibility and environmental management. The Group believes that the sustainability requirements will benefit it and its suppliers in the long run.

EMPLOYMENT AND LABOUR PRACTICES

Health and Safety

The sound development of the Group depends on the health and well-being of employees. As stated in its Human Resources Policy, the Group is committed to creating a healthy and safe working environment for all employees and protecting them from occupational hazards.

Health and safety measures

For the property investment and development business, employees participate in fire drills for better emergency preparedness and first aid kits are provided at offices. For subsidiaries such as Beijing Lippo locating in regions of poorer air quality, personal desktop air cleaners are given to employees.

At Fairseas, specific yacht operation guidelines for seafarers must be followed. To improve emergency preparedness, monthly safety drills are organised, including fire drill, sea rescue drill, etc. In addition, first aid training such as automated external defibrillation certificate course ("AED") training are provided to enhance employee safety.

Environmental, Social And Governance Report *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Employee Well-being

The Group has established the Human Resources Policy to demonstrate its emphasis on fostering a motivating, impartial, harmonious and safe working environment. The Group has in place employment policies and procedures covering recruitment, dismissal, working hours, compensation and benefits.

The Group supports equal opportunities of employment irrespective of age, gender, marital status, etc. Dismissal should be fair and justified with valid reasons, and the employee(s) concerned should be compensated in accordance with applicable laws and employment contracts.

Internal communication

To maintain close communication with its employees, the Group has established various communication channels for employees to file any complaints or concerns in the workplace. For instance, at the LSHL group, the front office and department heads have meetings fortnightly to facilitate communication between the group and the employees. Employees can lodge their complaints with their direct supervisors and managers, the human resources department, the general manager or the chief executive officer as appropriate. All complaints will be handled confidentially.

Welfare for employees

The Group believes that diversified welfare measures and employee activities can enhance employees' sense of belonging and improve their well-being. For example, the Group conducted an annual dinner, sponsored festive celebrations and provided employee discount at the Group's food outlets during the Year.

Development and Training

Following the Human Resources Policy, the Group dedicates itself to providing broad training opportunities for staff. The Group believes that investment in employees should be a priority. By acquiring transferrable skills, they will be better equipped to advance in their careers.

Training

It is the Group's aim to encourage employees to seek learning and development opportunities. Management is responsible for coaching their subordinates and identifying their development needs. The Group supports and encourages participation in internal/external training and development programmes. Based on the business nature of Group, various training sessions were organised during the Year to cater to the needs of staff.

Business	Subsidiary	Training highlights in the Year
Property investment and development	Chengdu Lippo	• Training workshop on enterprise risk management, including risk governance and risk ownership, etc.;
	Beijing Lippo	• Training workshop on enterprise risk management;
	One Realty	• Training workshop on enterprise risk management; • Continuing professional education in technical areas, e.g. taxation, financial accounting standards and other developmental areas based on employees' needs.
Corporate finance and securities broking	LSHL group	• Training workshop on enterprise risk management; • Anti-money laundering and counter-terrorist financing seminar conducted by the SFC; • Introductory courses for new employees; • In-house training on anti-money laundering and cybersecurity.

Environmental, Social And Governance Report *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Development and Training *(continued)*

Training (continued)

Business	Subsidiary	Training highlights in the Year
Management services	HCL Management	• Training workshop on enterprise risk management; • Subsidies provided for external training based on employees' needs, e.g. corporate governance, ESG, financial accounting standards, risk management, anti-money laundering and cybersecurity, etc.
Yacht operation	Fairseas	• First aid training, e.g. CPR, AED certificate course; • Refresher course on Standards of Training, Certification and Watchkeeping for Seafarers; • Powered Pleasure Craft Driving Licence course; • Training on proficiency in security awareness.

Career advancement

The Group believes that a transparent and clear career ladder can positively boost staff's level of engagement and enthusiasm. The Group has established fair standards as the bases for staff reward and promotion. Annual performance appraisal focuses on reviewing work performance from both quantitative factors (e.g. work quality, compliance) and qualitative factors (e.g. knowledge of work, teamwork, creativity, customer relations). In this way, the Group can effectively communicate its expectations and comments for employees to make improvement accordingly.

Labour Standards

Forced labour and child labour violate fundamental human rights and will put the Group's reputation at risk. The Group prohibits any form of child labour and compulsory labour and implements various preventive systems and measures. As stated in the Human Resources Policy, assessment of academic qualifications, talent, age and experience is carried out during the employment process.

During the Year, the Group did not identify any cases of non-compliance with laws and regulations in relation to employment, health and safety, child labour and forced labour.

PROTECTING THE ENVIRONMENT

Climate change leads to major challenges for the natural environment and the communities where the Group operates. The Group commits itself to environmentally responsible business practices and has in place the Environmental Policy, which highlights the Group's attention to material environmental risks and its approach to economic, social and environmental challenges and business opportunities.

Emissions

Environmental responsibility is an essential part of the Group's philosophy that can contribute to the Group's sustainability. To address climate change, the Group measures, controls and reduces its production of air pollutants, Greenhouse Gases ("GHG") and other ozone depleting emissions. The Group continues to manage its emissions by giving preference to procuring and using clean or low-emission machines and equipment, such as electric cars when selecting company vehicles. Priority is given to LED lights when there is need for replacement. In particular, Chengdu Lippo has already achieved 100% LED lighting.

Environmental, Social And Governance Report *(continued)*

PROTECTING THE ENVIRONMENT *(continued)*

Emissions *(continued)*

Air Emissions

The air emissions data is set out in the Key Performance Indicators section below.

GHG Emissions

The Guidelines for Accounting and Reporting Greenhouse Gas Emissions — China Public Building Operator Units (Enterprises) (Trial) of the PRC, the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong and international standards including ISO 14064-1 and GHG Protocol were referred to during the quantification of greenhouse gas emissions.

Scope 1, being the direct GHG emissions, constitutes 59.9% of the total GHG emissions. Scope 2 and Scope 3, being the energy indirect GHG emissions and other indirect GHG emissions, account for 37.9% and 2.2% of the total GHG emissions respectively. The GHG emissions data is set out in Key Performance Indicators section below.

The emission data for the Year will serve as a foundation for developing future carbon reduction targets. The Group will also consider to establish a group-wide carbon reduction strategy to better engage staff in its sustainability effort.

Use of Resources

It is the Group's duty to use resources efficiently and responsibly. The Group is committed to using environmentally-friendly materials and equipment when carrying out its services and reducing consumption where feasible. The Group uses a wide range of resources including electricity for daily operations, fuel for vehicle use and water. For energy use, diesel consumption is the largest type of energy end-use. The data on use of resources is set out in Key Performance Indicators section below.

In this regard, the following resource-saving measures have been implemented:

Resource	Measures
Water	– Water saving taps are installed in washrooms
Energy	– Choose air conditioners with energy efficiency labels – Electronic documentation and electronic trading are adopted for corporate finance and securities business – Utilise the sleep mode setting and turn off lights, appliances and equipment (computers, monitors, printers, etc.) when not in use
Paper	– Adopt double-sided printing

Moving forward, the Group will elevate its water and energy management measures across business operations to further reduce consumption.

Environmental, Social And Governance Report *(continued)*

PROTECTING THE ENVIRONMENT *(continued)*

The Environment and Natural Resources

Beyond the GHG emissions and resource use as mentioned above, the nature of the Group's business does not have a significant impact on the environment and natural resources. Nevertheless, the Group understands that in order to generate long-term values for stakeholders and the community, it is important to take reasonable actions to mitigate risks to the environment and natural resources. Moving forward, the Group will cultivate awareness and encourage behavioural changes among staff to minimise the environmental risks across its operations.

During the Year, the Group did not identify any cases of non-compliance with laws and regulations in relation to the environment.

INVESTING IN SOCIETY

As a caring enterprise, the Group is keen on understanding the needs and fulfilling the expectations of various stakeholders and the communities in which the Group sources, manufactures and markets its services. As stated in its Donation Policy, the Group seeks to meet the needs and foster the social development of the communities. Focus areas of contribution include but are not limited to education, sickness and disability relief, poverty alleviation, disaster aid and religious pursuit.

In future, the Group will continue its community engagement and consider refining its focus areas of contribution as well as making use of its expertise in community investment initiatives.

KEY PERFORMANCE INDICATORS

Environmental Performance

Air emissions	Type	Emissions (kg)
	Nitrogen oxides	0.90
	Sulphur oxides	0.35
	Respiratory Suspended Particles	0.08

GHG emissions	Scope	Emissions (tonnes CO_2-e)
	Scope 1: Direct emissions	209.0
	Scope 2: Energy indirect emissions	132.2
	Scope 3: Other indirect emissions	7.7
	Total (Scope 1, 2 and 3)	**349.0**
	GHG intensity (tonnes CO_2-e / square metre)	0.23
	GHG intensity (tonnes CO_2-e / million HK$ revenue)	2.94

Waste	Type	Amount (tonnes)	Waste intensity (tonnes/employee)
	Hazardous waste[1]	0.25	0.06
	Non-hazardous waste[2]	0.86	0.07

1 Including the data of Fairseas only.

2 Including the data of Beijing Lippo and Chengdu Lippo only.

Environmental, Social And Governance Report *(continued)*

KEY PERFORMANCE INDICATORS *(continued)*

Environmental Performance *(continued)*

Resources	Type			Amount of consumption
Energy consumption	Direct energy	Petrol (GJ)		155.6
		Diesel (GJ)		2,671.5
	Indirect energy	Electricity (MWh)		219.4
			Total (GJ)	**3,617.1**
	Energy intensity (GJ / square metre)			2.38
	Energy intensity (GJ / million HK$ revenue)			30.5
Water Consumption[3]	Total (cubic metre)			264.3
	Water intensity (cubic metre / employee)			66.1
Packaging Material used	Total			Not applicable
	Intensity			Not applicable

[3] Including the data of Fairseas only.

Social Performance

	Region	Gender	Below 30	30–50	Above 50	Management	Other employees	Subtotal	Total workforce	Workforce ratio by gender
Number of employees	Hong Kong	Male	2	9	15	7	19	26	68	1:1
		Female	3	9	10	1	21	22		
	Singapore	Male	0	2	2	1	3	4		
		Female	0	2	2	0	4	4		
	Mainland China	Male	0	3	1	2	2	4		
		Female	0	7	1	2	6	8		

Work-related fatality and injury	Number and rate of work-related fatalities	Number of work-related injury	Lost days due to work injury
	0	0	0

Environmental, Social And Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	49-50
A1.1	The types of emissions and respective emissions data.	51-52
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	51
A1.5	Description of measures to mitigate emissions and results achieved.	50
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	50
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	52
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	52
A2.3	Description of energy use efficiency initiatives and results achieved.	50
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	50-51; No issue in sourcing water
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	52
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	51
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	51
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48
B1.1	Total workforce by gender, employment type, age group and geographical region.	52

Environmental, Social And Governance Report *(continued)*

ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/ Remarks
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	47
B2.1	Number and rate of work-related fatalities.	52
B2.2	Lost days due to work injury.	52
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	47
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	48-49
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	49
B4.1	Description of measures to review employment practices to avoid child and forced labour.	49
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	47
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	46-47
B6.3	Description of practices relating to observing and protecting intellectual property rights.	46-47
B6.4	Description of quality assurance process and recall procedures.	46
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	47
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	46
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	51
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	51

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 60 to 144, which comprise the consolidated statement of financial position as at 31 March 2018, 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 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We 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
Impairment assessment of interest in a joint venture	
The carrying amount of the Group's interests in joint ventures amounted to HK$10,631 million as at 31 March 2018. 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. 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$10,523 million as at 31 March 2018 and the share of its profit for the year ended 31 March 2018 amounted to HK$158.5 million. LAAPL has a controlling interest in OUE Limited, a listed company in Singapore which is principally engaged in developing and managing assets across the commercial, hospitality, retail, residential and healthcare sectors. 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 31 March 2018; and (ii) the determination of the recoverable amount of the interest in LAAPL requires significant management's judgement and estimate. Related disclosures are included in Notes 3 and 18 to the consolidated financial statements.	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.
Fair value of investment properties	
As at 31 March 2018, investment properties measured at fair values amounted to approximately HK$122.3 million, with a corresponding net fair value gain of HK$3 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. Related disclosures are included in Notes 3 and 16 to the consolidated financial statements.	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.

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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

27 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**118,532**	216,404
Cost of sales	6	**(16,057)**	(46,838)
Gross profit		**102,475**	169,566
Administrative expenses		**(59,491)**	(60,987)
Other operating expenses		**(23,504)**	(56,275)
Gain on disposal of interests in a joint venture	9	**113,905**	–
Net fair value gain on financial instruments at fair value through profit or loss		**27,135**	15,290
Finance costs	10	**(13,557)**	(3,700)
Share of results of associates		**5,790**	(878)
Share of results of joint ventures	11	**177,251**	(13,213)
Profit before tax	6	**330,004**	49,803
Income tax	12	**(3,961)**	(5,451)
Profit for the year		**326,043**	44,352
Attributable to:			
Equity holders of the Company		**326,840**	44,996
Non-controlling interests		**(797)**	(644)
		326,043	44,352
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company	13		
Basic and diluted		**16.4**	2.3

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		**326,043**	44,352
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		**543**	(1,488)
Adjustment for disposal of interests in a joint venture		**167**	–
Adjustment for disposal		**–**	1,509
Adjustment for impairment losses		**–**	1,200
		710	1,221
Exchange differences on translation of foreign operations		**64,403**	(45,989)
Exchange differences reclassified to profit or loss upon:			
Disposal of foreign subsidiaries	34	**–**	(2)
Liquidation of foreign operations		**1,140**	–
		1,140	(2)
Share of other comprehensive income/(loss) of joint ventures		**744,086**	(327,119)
Share of other comprehensive loss of an associate		**–**	(42)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods and other comprehensive income/(loss) for the year, net of tax		**810,339**	(371,931)
Total comprehensive income/(loss) for the year		**1,136,382**	(327,579)
Attributable to:			
Equity holders of the Company		**1,132,571**	(321,789)
Non-controlling interests		**3,811**	(5,790)
		1,136,382	(327,579)

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Fixed assets	15	**38,670**	41,297
Investment properties	16	**122,328**	111,160
Interests in associates	17	**381,059**	427,158
Interests in joint ventures	18	**10,631,431**	9,720,889
Available-for-sale financial assets	19	**3,175**	4,117
Other financial asset	20	**48,826**	21,437
		11,225,489	10,326,058
Current assets			
Properties held for sale		**91,653**	94,600
Properties under development	21	**30,580**	28,846
Loans and advances	22	**20,833**	19,656
Debtors, prepayments and deposits	23	**36,533**	53,327
Financial assets at fair value through profit or loss	24	**7,518**	9,141
Tax recoverable		**–**	25
Client trust bank balances		**300,909**	845,921
Restricted cash	25	**1,073**	1,067
Time deposits with original maturity of more than three months		**4,785**	–
Cash and cash equivalents		**539,031**	536,878
		1,032,915	1,589,461
Current liabilities			
Creditors, accruals and deposits received	26	**471,705**	1,294,070
Tax payable		**58,786**	68,959
		530,491	1,363,029
Net current assets		**502,424**	226,432
Total assets less current liabilities		**11,727,913**	10,552,490

Consolidated Statement of Financial Position *(continued)*

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank and other borrowings	27	**481,667**	476,667
Deferred tax liabilities	28	**15,234**	20,405
		496,901	497,072
Net assets		**11,231,012**	10,055,418
Equity			
Equity attributable to equity holders of the Company			
Share capital	29	**1,998,280**	1,998,280
Reserves	31	**9,200,672**	8,013,912
		11,198,952	10,012,192
Non-controlling interests		**32,060**	43,226
		11,231,012	10,055,418

Stephen Riady
Director

John Luen Wai Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to equity holders of the Company									
	Share capital	Share premium account	Capital redemption reserve *(Note 31(c))*	Investment revaluation reserve	Hedging reserve *(Note 31(d))*	Exchange equalisation reserve	Distributable reserves *(Note 31(b))*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**326,840**	**326,840**	**(797)**	**326,043**
Other comprehensive income for the year:										
Available-for-sale financial assets:										
Changes in fair value	**–**	**–**	**–**	**543**	**–**	**–**	**–**	**543**	**–**	**543**
Adjustment for disposal of interests in a joint venture	**–**	**–**	**–**	**167**	**–**	**–**	**–**	**167**	**–**	**167**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**59,795**	**–**	**59,795**	**4,608**	**64,403**
Exchange differences reclassified to profit or loss upon liquidation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,140**	**–**	**1,140**	**–**	**1,140**
Share of other comprehensive income of joint ventures	**–**	**–**	**–**	**115,339**	**17,112**	**611,635**	**–**	**744,086**	**–**	**744,086**
Total comprehensive income for the year	**–**	**–**	**–**	**116,049**	**17,112**	**672,570**	**326,840**	**1,132,571**	**3,811**	**1,136,382**
Share of equity movements arising on equity transactions of joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**94,155**	**94,155**	**–**	**94,155**
2016/2017 final dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**(19,983)**	**(19,983)**	**–**	**(19,983)**
2017/2018 interim dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**(19,983)**	**(19,983)**	**–**	**(19,983)**
Dividend declared and paid to a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,977)**	**(14,977)**
At 31 March 2018	**1,998,280**	**92,775**	**22,144**	**384,033**	**1,419**	**717,684**	**7,982,617**	**11,198,952**	**32,060**	**11,231,012**
At 1 April 2016	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)
Adjustment 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)
Adjustment 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 34)*	–	–	–	–	–	–	–	–	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 31 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

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35(a)	**(12,242)**	204,787
Interest received		**1,946**	5,176
Dividends received from:			
Associate		**53,298**	–
Joint ventures		**–**	5,557
Investments		**15**	4,895
Overseas taxes paid		**(24,752)**	(51,201)
Net cash flows from operating activities		**18,265**	169,214
Cash flows from investing activities			
Proceeds from return of capital of available-for-sale financial assets		**1,496**	–
Proceeds from disposal of available-for-sale financial assets		**–**	397
Payments to acquire fixed assets		**(730)**	(1,195)
Repayment from associates		**29,261**	13,595
Advances to associates		**(45)**	(43)
Repayment from joint ventures		**465**	2,738
Advances to joint ventures		**–**	(1,020,002)
Acquisition of subsidiaries	33	**–**	3,834
Disposal of subsidiaries	34	**–**	(3,501)
Exclusivity payment received		**–**	110,000
Increase in time deposits with original maturity of more than three months		**(4,785)**	–
Net cash flows from/(used in) investing activities		**25,662**	(894,177)
Cash flows from financing activities			
Finance costs paid		**(8,541)**	(26,918)
Drawdown of bank and other borrowings *(Note)*		**500,000**	600,000
Repayment of bank and other borrowings *(Note)*		**(500,000)**	(100,000)
Dividends paid to shareholders of the Company		**(39,966)**	(59,949)
Dividend paid to a non-controlling shareholder of a subsidiary		**(14,977)**	–
Return of capital to a non-controlling shareholder of a subsidiary		**–**	(34,863)
Increase in restricted cash		**–**	(63)
Net cash flows from/(used in) financing activities		**(63,484)**	378,207
Net decrease in cash and cash equivalents		**(19,557)**	(346,756)
Cash and cash equivalents at beginning of year		**536,878**	904,015
Exchange realignments		**21,710**	(20,381)
Cash and cash equivalents at end of year		**539,031**	536,878

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, on 6 December 2017, Lippo Capital Limited ceased to be the ultimate holding company of the Company and Lippo Capital Group Limited, a company incorporated in Hong Kong, became the ultimate holding company of the Company.

Details of the principal subsidiaries are set out on pages 139 to 142.

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 31 March 2018. 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 revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant impact on the Group's financial performance and positions for the periods presented in the consolidated financial statements. Disclosure has been made in Note 35(c) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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	*Classification and Measurement of Share-based Payment Transactions* [1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [1]
HKFRS 9	*Financial Instruments* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 15	*Revenue from Contracts with Customers* [1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers* [1]
HKFRS 16	*Leases* [2]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [2]
Amendments to HKAS 40	*Transfers of Investment Property* [1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28 [1]
Annual Improvements 2015-2017 Cycle	Amendments to a number of HKFRSs [2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 March 2019 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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 will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and 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 expects that the adoption of HKFRS 9 will have the following potential 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. Debt investments currently held as available for sale will be measured at fair value through other comprehensive income as these are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investments in the open market. Gains and losses recorded in other comprehensive income for the debt investments will continue to be subsequently recycled to profit or loss when the investments are derecognised. Besides, certain equity available-for-sale financial assets currently carried at cost less impairment will be measured at fair value through other comprehensive income upon adoption of HKFRS 9. Upon initial application of HKFRS 9, any differences between carrying amount and fair value would be adjusted to distributable reserves as at 1 April 2018.

(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 will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, a joint venture will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its receivables within the next twelve months. The Group has expected that the provision for impairment for receivables under such joint venture will increase upon the initial adoption of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Notes to the Financial Statements *(continued)*

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

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of distributable reserves at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. During the year, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Company's 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 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. This may affect the revenue recognition for new development property projects in the future. Except for the above, the Group does not expect the adoption of HKFRS 15 will have a significant impact on the Group's financial performance and financial position. However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The application of HKFRS 15 in the future may result in more disclosures in the financial statements.

Notes to the Financial Statements *(continued)*

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

HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in Note 37(b) to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$3,955,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Notes to the Financial Statements *(continued)*

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

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Notes to the Financial Statements *(continued)*

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% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combinations and goodwill *(continued)*

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 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.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement *(continued)*

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.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets *(continued)*

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.

(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% to $33\frac{1}{3}$%
Motor vehicles	20% to 25%
Yacht	10%

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.

(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 a property 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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties *(continued)*

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.

(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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

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 (continued)

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.

(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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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)*

(l) 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 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 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) when 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, when 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

Notes to the Financial Statements *(continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

Share-based payments (continued)

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.

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. Proposed final dividends are disclosed in the notes to the financial statements.

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 dollars. 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. 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 31 March 2018 was HK$122,328,000 (2017 — HK$111,160,000). Further details are disclosed in Note 16 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.

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 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 31 March 2018

	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	58,570	40,345	1,556	15	17,388	–	658	–	118,532
Inter-segment	–	–	–	–	1	–	–	(1)	–
Total	58,570	40,345	1,556	15	17,389	–	658	(1)	118,532
Segment results	44,530	24,098	1,556	(414)	(11,133)	141,294	(6,960)	–	192,971
Unallocated corporate expenses									(46,008)
Share of results of associates	–	5,821	–	–	–	–	(31)	–	5,790
Share of results of joint ventures	158,538	(46)	–	–	–	18,759	–	–	177,251
Profit before tax									330,004
Segment assets	162,561	127,472	505,073	10,693	327,951	48,826	11,193	–	1,193,769
Interests in associates	7,101	373,914	–	–	–	–	44	–	381,059
Interests in joint ventures	10,522,724	1,762	–	–	–	106,945	–	–	10,631,431
Unallocated assets									52,145
Total assets									12,258,404
Segment liabilities	485,858	15,544	–	–	439,695	–	50	–	941,147
Unallocated liabilities									86,245
Total liabilities									1,027,392
Other segment information:									
Capital expenditure *(Note)*	8	–	–	–	146	–	–	–	154
Depreciation	(81)	(34)	–	–	(134)	–	(27)	–	(276)
Interest income	51,985	–	1,556	–	–	–	326	–	53,867
Finance costs	(13,530)	–	–	–	(27)	–	–	–	(13,557)
Gain on disposal of interests in a joint venture	–	–	–	–	–	113,905	–	–	113,905
Write-back of provisions/(Provisions) for impairment losses on:									
A joint venture	–	465	–	–	–	–	–	–	465
Properties under development	–	(143)	–	–	–	–	–	–	(143)
Properties held for sale	195	–	–	–	–	–	–	–	195
Loans and receivables	–	–	–	–	(154)	–	(771)	–	(925)
Realised translation losses reclassified to the statement of profit or loss relating to liquidation of foreign operations	–	(1,140)	–	–	–	–	–	–	(1,140)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	(254)	–	27,389	–	–	27,135
Net fair value gain on investment properties	3,035	–	–	–	–	–	–	–	3,035
Unallocated:									
Capital expenditure *(Note)*									576
Depreciation									(5,851)

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2017

	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	81,329	107,507	4,336	4,895	15,691	–	2,646	–	216,404
Inter-segment	–	–	–	–	187	–	–	(187)	–
Total	81,329	107,507	4,336	4,895	15,878	–	2,646	(187)	216,404
Segment results	72,491	59,667	4,336	22,705	(10,887)	(3,858)	(9,674)	–	134,780
Unallocated corporate expenses									(70,886)
Share of results of associates	–	(891)	–	–	–	–	13	–	(878)
Share of results of joint ventures	(21,882)	(1,046)	–	–	–	9,715	–	–	(13,213)
Profit before tax									49,803
Segment assets	146,741	133,879	496,974	13,258	872,432	21,437	13,120	–	1,697,841
Interests in associates	6,102	421,026	–	–	–	–	30	–	427,158
Interests in joint ventures	9,474,183	1,682	–	–	–	245,024	–	–	9,720,889
Unallocated assets									69,631
Total assets									11,915,519
Segment liabilities	480,673	20,672	–	–	988,473	270,630	56	–	1,760,504
Unallocated liabilities									99,597
Total liabilities									1,860,101
Other segment information:									
Capital expenditure *(Note)*	276	406	–	–	22	–	–	–	704
Depreciation	(218)	(74)	–	–	(387)	–	(33)	–	(712)
Interest income	74,819	–	4,336	–	–	–	413	–	79,568
Finance costs	(3,647)	–	–	–	–	–	(53)	–	(3,700)
Loss on disposal of subsidiaries	–	–	–	–	–	–	(1,823)	–	(1,823)
Loss on disposal of available-for-sale financial assets	–	–	–	(1,540)	–	–	–	–	(1,540)
Write-back of provisions/(Provisions) for impairment losses on:									
A joint venture	–	2,738	–	–	–	–	–	–	2,738
Available-for-sale financial assets	–	–	–	(1,200)	–	–	–	–	(1,200)
Properties under development	–	(135)	–	–	–	–	–	–	(135)
Properties held for sale	388	–	–	–	–	–	–	–	388
Loans and receivables	–	–	–	–	125	–	(159)	–	(34)
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	–	–	–	19,148	–	(3,858)	–	–	15,290
Net fair value loss on investment properties	(2,190)	–	–	–	–	–	–	–	(2,190)
Unallocated:									
Capital expenditure *(Note)*									491
Depreciation									(6,174)

Note: Capital expenditure includes additions to fixed assets.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
Hong Kong	**17,931**	17,060
Macau	**30,918**	96,822
Mainland China	**14,374**	18,790
Republic of Singapore	**52,073**	80,567
Other	**3,236**	3,165
	118,532	216,404

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

(b) Non-current assets

	2018 HK$'000	2017 HK$'000
Hong Kong	**1,328**	1,528
Macau	**106,945**	245,024
Mainland China	**84,987**	75,609
Republic of Singapore	**10,934,621**	9,935,872
Other	**45,607**	42,471
	11,173,488	10,300,504

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 31 March 2018, revenue of approximately HK$51,985,000 (2017 — HK$74,819,000) was derived from interest income from a single customer in the property investment segment. For the year ended 31 March 2017, revenue of HK$28,023,000 was derived from sales by the property development segment to a single customer.

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 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:

	2018 **HK$'000**	2017 HK$'000
Property rental income	**6,585**	6,510
Sales of properties	**40,345**	107,507
Interest income	**53,867**	79,568
Dividend income	**15**	4,895
Corporate finance and securities broking	**17,388**	15,691
Other	**332**	2,233
	118,532	216,404

6. PROFIT BEFORE TAX

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

	2018 **HK$'000**	2017 HK$'000
Cost of sales:		
Cost of properties sold	**(6,325)**	(36,940)
Other	**(9,732)**	(9,898)
	(16,057)	(46,838)
Employee benefit expense *(Note (a))*:		
Wages and salaries	**(36,094)**	(36,275)
Retirement benefit costs *(Note (b))*	**(1,969)**	(2,059)
Total staff costs	**(38,063)**	(38,334)

Notes to the Financial Statements *(continued)*

6. PROFIT BEFORE TAX *(continued)*

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

	2018 HK$'000	2017 HK$'000
Interest income:		
Loans and advances	**52,311**	75,232
Other	**1,556**	4,336
Net fair value gain/(loss) on investment properties	**3,035**	(2,190)
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	**(254)**	19,148
Derivative financial instrument	**27,389**	(3,858)
Loss on disposal of subsidiaries	**–**	(1,823)
Loss on disposal of available-for-sale financial assets	**–**	(1,540)
Gain on bargain purchase *(Note (c))*	**–**	43
Write-back of provisions/(Provisions) for impairment losses on *(Note (c))*:		
A joint venture	**465**	2,738
Available-for-sale financial assets	**–**	(1,200)
Properties under development	**(143)**	(135)
Properties held for sale	**195**	388
Loans and receivables	**(925)**	(34)
Depreciation	**(6,127)**	(6,886)
Foreign exchange gains/(losses) — net	**12,532**	(10,901)
Realised translation losses reclassified to the statement of profit or loss relating to liquidation of foreign operations	**(1,140)**	–
Auditor's remuneration	**(4,818)**	(4,270)
Minimum lease payments under operating leases	**(11,056)**	(12,040)
Direct operating expenses arising on rental-earning investment properties	**(1,691)**	(2,139)

Note:

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

(b) The Group had no forfeited voluntary contributions available to offset future employer contributions against the pension schemes at the year end.

(c) 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:

	2018 HK$'000	2017 HK$'000
Directors' fees	**2,073**	2,089
Basic salaries, allowances and benefits in kind	**1,669**	2,413
Retirement benefit costs	**36**	36
	3,778	4,538

The emoluments paid to each of the Directors during the year ended 31 March 2018 are as follows:

2018	**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	**230**	**1,085**	**18**	**1,333**
John Luen Wai Lee	**260**	**584**	**18**	**862**
	490	**1,669**	**36**	**2,195**
Non-executive director:				
Leon Nim Leung Chan	**412**	**–**	**–**	**412**
Independent non-executive directors:				
Albert Saychuan Cheok *(Note (a))*	**286**	**–**	**–**	**286**
Victor Ha Kuk Yung	**382**	**–**	**–**	**382**
King Fai Tsui	**408**	**–**	**–**	**408**
Edwin Neo *(Note (b))*	**95**	**–**	**–**	**95**
	1,171	**–**	**–**	**1,171**
	2,073	**1,669**	**36**	**3,778**

Notes to the Financial Statements *(continued)*

7. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid to each of the Directors during the year ended 31 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 *(Note (c))*	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 *(Note (a))*	371	–	–	371
Victor Ha Kuk Yung	371	–	–	371
King Fai Tsui	396	–	–	396
	1,138	–	–	1,138
	2,089	2,413	36	4,538

Note:

(a) Albert Saychuan Cheok resigned as an independent non-executive director of the Company with effect from midnight on 31 December 2017.

(b) Edwin Neo was appointed as an independent non-executive director of the Company on 1 January 2018.

(c) Kee Yee Kor resigned as an executive director of the Company on 31 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 (2017 — five) non-director, highest paid employees for the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, allowances and benefits in kind	**5,840**	6,519
Discretionary bonuses paid and payable	**6,020**	4,250
Retirement benefit costs	**181**	217
	12,041	10,986

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

Emoluments bands (HK$):	**2018 Number of employees**	2017 Number of employees
1,000,001 — 1,500,000	**–**	1
1,500,001 — 2,000,000	**2**	2
2,000,001 — 2,500,000	**1**	1
2,500,001 — 3,000,000	**1**	–
3,500,001 — 4,000,000	**1**	1
	5	5

9. GAIN ON DISPOSAL OF INTERESTS IN A JOINT VENTURE

The disposal of further 31% equity interests in The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) (the "31% MCB Disposal") took place in November 2017. The Group recognised a gain on disposal of HK$113,905,000 (2017 — Nil) for the year ended 31 March 2018.

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank and other borrowings	**13,557**	3,700

Notes to the Financial Statements *(continued)*

11. 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 18 to the financial statements. For the year ended 31 March 2018, the Group's share of profit in LAAPL amounted to approximately HK$158,538,000 (2017 — share of loss of HK$21,882,000). The share of profit recognised during the year was mainly attributable to the net fair value gain on the joint ventures' investment properties. The share of loss for the year ended 31 March 2017 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 development properties and fair value gain from its investments designated at fair value through profit or loss.

12. INCOME TAX

	2018 HK$'000	2017 HK$'000
Hong Kong:		
Charge for the year	**–**	–
Overseas:		
Charge for the year	**10,355**	10,690
Overprovision in prior years	**(70)**	(3,403)
Deferred *(Note 28)*:		
Current year	**(5,285)**	(1,836)
Effect of change in tax rate	**(1,039)**	–
	3,961	5,451
Total charge for the year	**3,961**	5,451

Hong Kong profits tax has been provided at the rate of 16.5% (2017 — 16.5%) on the estimated assessable profits arising in Hong Kong during the year. For the companies operating in 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%, 17% and 12% (2017 — 25%, 17% and 12%), respectively. 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)*

12. 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:

	2018 HK$'000	2017 HK$'000
Profit before tax	**330,004**	49,803
Tax at the statutory tax rate of 16.5% (2017 — 16.5%)	**54,450**	8,217
Effect of different tax rates in other jurisdictions	**(1,386)**	(2,691)
Adjustments in respect of current tax of previous years	**(70)**	(3,403)
Effect of change in tax rate in other jurisdiction	**(1,039)**	–
Losses/(Profits) attributable to joint ventures and associates	**(30,202)**	2,325
Income not subject to tax	**(24,530)**	(14,735)
Expenses not deductible for tax	**5,126**	8,549
Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China	**(128)**	(553)
Tax losses utilised from previous years	**(2,609)**	(411)
Tax losses not recognised	**3,781**	6,647
Land appreciation tax	**757**	2,008
Tax effect of land appreciation tax	**(189)**	(502)
Tax charge at the Group's effective rate	**3,961**	5,451

The share of tax charge attributable to an associate and joint ventures amounting to HK$448,000 (2017 — HK$482,000) and HK$107,797,000 (2017 — HK$91,013,000), 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.

13. 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 (2017 — 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 31 March 2018 and 2017.

Notes to the Financial Statements *(continued)*

14. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim dividend, declared, of HK1 cent (2017 — HK1 cent) per ordinary share	**19,983**	19,983
Final dividend, proposed, of HK1 cent (2017 — HK1 cent) per ordinary share	**19,983**	19,983
	39,966	39,966

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

15. FIXED ASSETS

	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
2018			
At 31 March 2017 and at 1 April 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**
At 1 April 2017, net of accumulated depreciation	**3,092**	**38,205**	**41,297**
Additions during the year	**730**	**–**	**730**
Disposals during the year	**(12)**	**–**	**(12)**
Depreciation provided for the year	**(786)**	**(5,341)**	**(6,127)**
Exchange adjustments	**69**	**2,713**	**2,782**
At 31 March 2018, net of accumulated depreciation	**3,093**	**35,577**	**38,670**
At 31 March 2018			
Cost	**21,636**	**55,485**	**77,121**
Accumulated depreciation	**(18,543)**	**(19,908)**	**(38,451)**
Net carrying amount	**3,093**	**35,577**	**38,670**

Notes to the Financial Statements *(continued)*

15. FIXED ASSETS *(continued)*

	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
2017			
At 1 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 1 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 *(Note 34)*	(144)	–	(144)
Depreciation provided for the year	(1,685)	(5,201)	(6,886)
Exchange adjustments	(32)	(1,401)	(1,433)
At 31 March 2017, net of accumulated depreciation	3,092	38,205	41,297
At 31 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)*

16. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year	**111,160**	119,340
Fair value adjustments	**3,035**	(2,190)
Exchange adjustments	**8,133**	(5,990)
Carrying amount at end of year	**122,328**	111,160

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 31 March 2018 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$122,328,000 (2017 — HK$111,160,000).

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2018				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	**–**	**–**	**84,867**	**84,867**
Overseas	**–**	**–**	**37,461**	**37,461**
	–	**–**	**122,328**	**122,328**
At 31 March 2017				
Recurring fair value measurement for:				
Completed investment properties in:				
Mainland China	–	–	75,468	75,468
Overseas	–	–	35,692	35,692
	–	–	111,160	111,160

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 (2017 — Nil).

Notes to the Financial Statements *(continued)*

16. 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 investment properties in:			
Mainland China	Market approach	Price per square metre	HK$14,000 to HK$15,500 (2017 — HK$13,000 to HK$14,500)
Overseas	Market approach	Price per square metre	HK$23,500 to HK$51,000 (2017 — HK$21,000 to HK$37,500)
	Income approach	Rental per square metre per month	HK$118 to HK$4,000 (2017 — HK$108 to HK$3,900)
		Capitalisation rate	5.0% to 8.7% (2017 — 4.5% to 10.3%)

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 the 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.

Notes to the Financial Statements *(continued)*

17. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	**369,698**	388,016
Due from associates	**30,558**	58,339
	400,256	446,355
Provisions for impairment losses	**(19,197)**	(19,197)
	381,059	427,158

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.

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 (2017 — 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 143.

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:

	2018 HK$'000	2017 HK$'000
Current assets	**847,610**	863,615
Current liabilities	**(99,783)**	(21,563)
Non-current liabilities	**–**	(57,654)
Net assets	**747,827**	784,398
Reconciliation to the Group's interest in the associate:		
Group's share of net assets of the associate	**373,914**	392,199
Due from the associate	**–**	28,827
Carrying amount of the investment	**373,914**	421,026
Revenue for the year	**123,683**	49,860
Profit/(Loss) and total comprehensive income/(loss) for the year	**11,643**	(1,782)
Dividend received	**53,298**	–

Notes to the Financial Statements *(continued)*

17. INTERESTS IN ASSOCIATES *(continued)*

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

	2018 HK$'000	2017 HK$'000
Share of the associates' profit/(loss) for the year	**(31)**	13
Share of the associates' other comprehensive loss for the year	**–**	(42)
Share of the associates' total comprehensive loss for the year	**(31)**	(29)
Aggregate carrying amount of the Group's interests in the associates	**7,145**	6,132

18. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of net assets	**8,158,658**	7,473,434
Due from joint ventures	**2,484,125**	2,259,272
	10,642,783	9,732,706
Provisions for impairment losses	**(11,352)**	(11,817)
	10,631,431	9,720,889

As at 31 March 2018, the amounts due from joint ventures included balances of HK$2,466,880,000 (2017 — HK$2,241,562,000), which are unsecured, bear interest at rates ranging from nil to 2.25% per annum (2017 — nil to 2.25% per annum) and are repayable on demand. 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.

The Group's trade payable balance with a joint venture is disclosed in Note 26 to the financial statements.

Details of the principal joint ventures are set out on page 144.

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. The Directors assessed whether there is any indication that the carrying amount of interest in the joint venture may be impaired and the recoverable amount of the joint venture is estimated based on a value in use calculation. The Directors considered no impairment loss was necessary for the year ended 31 March 2018.

Notes to the Financial Statements *(continued)*

18. INTERESTS IN JOINT VENTURES *(continued)*

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

	2018 HK$'000	2017 HK$'000
Non-current assets	**50,885,943**	45,676,457
Cash and cash equivalents	**2,434,147**	1,853,197
Other current assets	**7,207,503**	5,129,573
Current assets	**9,641,650**	6,982,770
Financial liabilities, excluding trade and other payables	**(11,842,827)**	(4,548,888)
Other current liabilities	**(2,446,167)**	(1,488,648)
Current liabilities	**(14,288,994)**	(6,037,536)
Non-current financial liabilities, excluding trade and other payables and provisions	**(19,885,637)**	(22,747,205)
Other non-current liabilities	**(1,592,717)**	(1,414,850)
Non-current liabilities	**(21,478,354)**	(24,162,055)
Net assets	**24,760,245**	22,459,636
Reconciliation to the Group's interest in the joint venture:		
Net assets	**24,760,245**	22,459,636
Less: Non-controlling interests	**(16,215,320)**	(14,787,965)
Net assets attributable to equity holders of the joint venture	**8,544,925**	7,671,671
Group's share of net assets of the joint venture	**8,055,844**	7,232,621
Due from the joint venture	**2,466,880**	2,241,562
Carrying amount of the investment	**10,522,724**	9,474,183
Revenue	**4,230,921**	4,393,758
Interest income	**45,365**	24,709
Depreciation and amortisation	**(182,956)**	(150,680)
Interest expenses	**(981,277)**	(870,300)
Tax	**(178,461)**	(151,250)
Profit/(Loss) for the year attributable to equity holders of the joint venture	**168,195**	(23,215)
Other comprehensive income/(loss) for the year attributable to equity holders of the joint venture	**789,695**	(346,944)
Total comprehensive income/(loss) for the year attributable to equity holders of the joint venture	**957,890**	(370,159)

Notes to the Financial Statements *(continued)*

18. INTERESTS IN JOINT VENTURES *(continued)*

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

	2018 HK$'000	2017 HK$'000
Share of the joint ventures' profit for the year	**18,713**	8,669
Share of the joint ventures' other comprehensive loss for the year	**(280)**	(89)
Share of the joint ventures' total comprehensive income for the year	**18,433**	8,580
Aggregate carrying amount of the Group's interests in the joint ventures	**108,707**	246,706

As at 31 March 2018, the Group's share of joint ventures' own capital commitment amounted to HK$110,010,000 (2017 — HK$111,450,000).

Under the terms of Macau banking legislation, MCB is required to transfer to a legal reserve an amount equal to a minimum of 20% of its annual profit after tax until the amount of the reserve is equal to 50% of its issued and fully paid up share capital. Thereafter, transfers must continue at a minimum annual rate of 10% 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 31 March 2018, the balance of interests in joint ventures included the share of such legal reserve and regulatory reserve of HK$5,059,000 (2017 — HK$12,300,000) and HK$4,953,000 (2017 — HK$5,447,000), respectively.

As at 31 March 2018, the Group's share of contingent liabilities relating to MCB amounted to HK$21,176,000 (2017 — HK$39,287,000), comprising share of guarantees and other endorsements of HK$16,124,000 (2017 — HK$36,207,000) and share of liabilities under letters of credit on behalf of customers of HK$5,052,000 (2017 — HK$3,080,000).

Notes to the Financial Statements *(continued)*

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Financial assets stated at fair value:		
Equity securities	**24**	24
Debt securities	**2,880**	2,300
Investment funds	**271**	1,793
	3,175	4,117
Financial assets stated at cost:		
Equity securities	**64,000**	64,000
Provisions for impairment losses	**(64,000)**	(64,000)
	–	–
	3,175	4,117

The debt securities are non-interest bearing.

During the year, the gross gain in respect of the Group's available-for-sale financial assets recognised in consolidated other comprehensive income amounted to HK$543,000 (2017 — loss HK$1,488,000, of which loss of HK$1,509,000 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. No impairment loss has been charged to the consolidated statement of profit or loss for the year ended 31 March 2018. For the year ended 31 March 2017, impairment loss of HK$1,200,000, which included a reclassification from consolidated other comprehensive income of HK$1,200,000, had been charged to the consolidated statement of profit or loss.

20. OTHER FINANCIAL ASSET

	2018 HK$'000	2017 HK$'000
Put Option *(Note)*	**48,826**	21,437

Note: As provided in the shareholders' agreement for the joint arrangement for investment in MCB (the "Shareholders' Agreement"), in the event of the Group holding 20% 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% or less. The right to exercise the Put Option survives any termination or expiry of the Shareholders' Agreement.

Notes to the Financial Statements *(continued)*

21. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	**40,026**	39,594
Additions during the year	**200**	210
Exchange adjustments	**2,321**	222
Balance at end of year	**42,547**	40,026
Provisions for impairment losses:		
Balance at beginning of year	**(11,180)**	(10,981)
Impairment during the year	**(143)**	(135)
Exchange adjustments	**(644)**	(64)
Balance at end of year	**(11,967)**	(11,180)
	30,580	28,846

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

22. LOANS AND ADVANCES

The loans and advances to customers of the Group bear interest at rates ranging from 1.7% to 8.0% (2017 — 1.7% to 8.0%) per annum. Certain loans and advances are secured by clients' securities and assets being held as collateral with an aggregate carrying amount of HK$124,755,000 (2017 — HK$104,016,000).

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:

	2018 HK$'000	2017 HK$'000
Balance at beginning of year	**206**	210
Impairment losses recognised	**772**	–
Impairment allowance released	**–**	(4)
Balance at end of year	**978**	206

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

Notes to the Financial Statements *(continued)*

23. DEBTORS, PREPAYMENTS AND DEPOSITS

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

	2018 HK$'000	2017 HK$'000
Outstanding balances with ages:		
Repayable on demand	**7,928**	7,507
Within 30 days	**683**	3,602
	8,611	11,109

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 broking operation 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$20,576,000 (2017 — HK$20,564,000). 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:

	2018 HK$'000	2017 HK$'000
Balance at beginning of year	**20,039**	20,001
Impairment losses recognised	**153**	38
Balance at end of year	**20,192**	20,039

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Held for trading:		
Equity securities	**286**	682
Investment funds	**7,232**	8,459
	7,518	9,141

Notes to the Financial Statements *(continued)*

25. 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.

26. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received mainly comprised a non-refundable exclusivity payment of HK$130,000,000 (2017 — HK$130,000,000) 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$306,366,000 (2017 — HK$855,803,000). As at 31 March 2018, total client trust bank balances amounted to HK$300,909,000 (2017 — HK$845,921,000). Creditors, accruals and deposits received as at 31 March 2017 also included deposits received for the 31% MCB Disposal of HK$270,630,000. The 31% MCB Disposal was completed in November 2017.

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

	2018 HK$'000	2017 HK$'000
Outstanding balances with ages:		
Repayable on demand	**267,135**	815,921
Within 30 days	**39,231**	39,882
	306,366	855,803

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$5,272,000 (2017 — HK$3,954,000) due to a joint venture of the Group. The balance is unsecured, non-interest bearing and repayable within normal trade credit terms.

27. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Repayable in the third to fifth years, inclusive:		
Unsecured bank loans	**481,667**	476,667

The Group's bank loans were denominated in Hong Kong dollars and bore interest at floating rate of 1.89% (2017 — 1.52%) 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)*

28. 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	Others HK$'000	Total HK$'000
2018				
At 1 April 2017	**2,409**	**11,353**	**6,643**	**20,405**
Deferred tax charged/(credited) to the statement of profit or loss during the year *(Note 12)*	**2**	**(456)**	**(5,870)**	**(6,324)**
Exchange adjustments	**(76)**	**857**	**372**	**1,153**
At 31 March 2018	**2,335**	**11,754**	**1,145**	**15,234**
2017				
At 1 April 2016	2,631	13,242	7,653	23,526
Deferred tax credited to the statement of profit or loss during the year *(Note 12)*	(1)	(1,282)	(553)	(1,836)
Exchange adjustments	(221)	(607)	(457)	(1,285)
At 31 March 2017	2,409	11,353	6,643	20,405

The Group has tax losses of HK$569,606,000 (2017 — HK$559,999,000) 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% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 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 1 January 2008.

As at 31 March 2018, except for withholding tax provided for under deferred tax liabilities, there were no significant unrecognised deferred tax liabilities (2017 — 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)*

29. SHARE CAPITAL

	2018 HK$'000	2017 HK$'000
Authorised:		
4,000,000,000 (2017 — 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 (2017 — 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 31 March 2018 and 2017.

30. 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 former intermediate holding company and currently a fellow subsidiary of the Company, on 7 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)*

30. 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% 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% of the issued share capital of the Company on the Adoption Date, that is, 134,682,909 shares (the "Scheme Mandate Limit"). The Scheme Mandate Limit 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 1% 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.

31. 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 64.

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 2 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 31 March 2018 comprised retained profits of HK$7,237,642,000 (2017 — HK$6,856,613,000) and the remaining balance arising from the Cancellation of HK$744,975,000 (2017 — HK$744,975,000). Included in the distributable reserves of the Group as at 31 March 2018 were an amount of final dividend for the year then ended of HK$19,983,000 (2017 — HK$19,983,000) proposed after the end of the reporting period.

(c) The capital redemption reserve is not available for distribution to shareholders.

(d) The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

Notes to the Financial Statements *(continued)*

32. 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 shareholder as at 31 March 2018 was 20% (2017 — 20%). Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2018 HK$'000	2017 HK$'000
Loss for the year allocated to non-controlling interests	**(790)**	(108)
Dividend paid to non-controlling interests	**(14,977)**	–
Accumulated balances of non-controlling interests at the end of the reporting period	**31,563**	42,758

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

	2018 HK$'000	2017 HK$'000
Current assets	**202,739**	265,416
Non-current assets	**119**	138
Current liabilities	**(44,442)**	(51,222)
Revenue	**10,341**	22,385
Total expenses	**(14,291)**	(22,924)
Loss for the year	**(3,950)**	(539)
Total comprehensive income/(loss) for the year	**16,111**	(25,543)
Net cash flows from operating activities	**1,530**	24,249
Net cash flows used in financing activities	**(68,892)**	(174,317)
Net decrease in cash and cash equivalents	**(67,362)**	(150,068)

Notes to the Financial Statements *(continued)*

33. ACQUISITION OF SUBSIDIARIES

On 23 November 2016, the Group acquired a 50% 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% 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 the Wealthy Place Group as at the date of acquisition were as follows:

	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 *(Note 6)*	(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 31 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 ended 31 March 2017 would have been HK$216,405,000 and HK$43,114,000, respectively.

Notes to the Financial Statements *(continued)*

34. DISPOSAL OF SUBSIDIARIES

	2017 HK$'000
Net assets disposed of:	
Fixed assets	144
Debtors, prepayments and deposits	208
Cash and cash equivalents	3,502
Creditors, accruals and deposits received	(6,326)
Non-controlling interests	4,298
	1,826
Release of cumulative exchange difference on translation of foreign operations	(2)
	1,824
Loss on disposal	(1,823)
	1
Satisfied by:	
Cash consideration received	1

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

	2017 HK$'000
Cash consideration received	1
Cash and cash equivalents disposed of	(3,502)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(3,501)

Notes to the Financial Statements *(continued)*

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2018 HK$'000	2017 HK$'000
Profit before tax		**330,004**	49,803
Adjustments for:			
Share of results of associates		**(5,790)**	878
Share of results of joint ventures		**(177,251)**	13,213
Loss on disposal of:			
Fixed assets		**12**	1
Available-for-sale financial assets	6	**–**	1,540
Subsidiaries	34	**–**	1,823
Gain on bargain purchase	6	**–**	(43)
Gain on disposal of interests in a joint venture	9	**(113,905)**	–
Provisions/(Write-back of provisions) for impairment losses on:			
A joint venture	6	**(465)**	(2,738)
Available-for-sale financial assets	6	**–**	1,200
Properties under development	6	**143**	135
Properties held for sale	6	**(195)**	(388)
Loans and receivables	6	**925**	34
Net fair value gain on financial instruments at fair value through profit or loss		**(27,135)**	(15,290)
Net fair value loss/(gain) on investment properties	6	**(3,035)**	2,190
Realised translation losses reclassified to the statement of profit or loss relating to liquidation of foreign operations	6	**1,140**	–
Finance costs	10	**13,557**	3,700
Interest income	5	**(53,867)**	(79,568)
Dividend income	5	**(15)**	(4,895)
Depreciation	6	**6,127**	6,886
		(29,750)	(21,519)
Decrease in properties held for sale		**6,325**	36,862
Increase in properties under development		**(200)**	(210)
Increase in loans and advances		**(2,102)**	(3,773)
Decrease in debtors, prepayments and deposits		**18,056**	79,836
Decrease in financial instruments at fair value through profit or loss		**1,369**	159,734
Decrease/(Increase) in client trust bank balances		**553,472**	(549,523)
Increase/(Decrease) in creditors, accruals and deposits received		**(559,412)**	503,380
Cash generated from/(used in) operations		**(12,242)**	204,787

Notes to the Financial Statements *(continued)*

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

(b) Major non-cash transactions

2018

In November 2017, the deposits received in the prior financial year for the 31% MCB Disposal of HK$270,630,000 was derecognised upon completion of the 31% MCB Disposal.

2017

During the year ended 31 March 2017, 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. Further details of the Exchangeable Loans are disclosed in Note 39(d) to the financial statements.

(c) Changes in liabilities arising from financing activities during the year ended 31 March 2018

	Bank and other borrowings HK$'000	Interest payable HK$'000	Total HK$'000
At 1 April 2017	**476,667**	**62**	**476,729**
Changes from financing cash flows:			
Finances costs paid	**–**	**(8,541)**	**(8,541)**
Drawdown of bank and other borrowings	**500,000**	**–**	**500,000**
Repayment of bank and other borrowings	**(500,000)**	**–**	**(500,000)**
Total changes from financing cash flows	**–**	**(8,541)**	**(8,541)**
Finance costs charged to the statement of profit or loss	**5,000**	**8,557**	**13,557**
At 31 March 2018	**481,667**	**78**	**481,745**

36. CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no material contingent liabilities (2017 — Nil).

Notes to the Financial Statements *(continued)*

37. 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 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**4,136**	4,898
In the second to fifth years, inclusive	**2,383**	4,272
	6,519	9,170

(b) As lessee

The Group leases certain properties under operating lease agreements which are non-cancellable. The leases are negotiated for terms ranging from one to two years. The leases for properties contain the provision for rental adjustments.

As at 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**3,485**	5,629
In the second to fifth years, inclusive	**470**	494
	3,955	6,123

38. COMMITMENTS

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

	2018 **HK$'000**	2017 HK$'000
Commitments in respect of property acquisition:		
Contracted, but not provided for	**6,834**	7,142
Other commitments:		
Contracted, but not provided for	**581**	575
	7,415	7,717

Notes to the Financial Statements *(continued)*

39. 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$2,246,000 (2017 — HK$2,909,000) to a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rentals were determined by reference to the then prevailing open market rentals. The existing lease will expire on 31 July 2019. The Company expects the total future minimum lease payables for the years ending 31 March 2019 and 31 March 2020 to be approximately HK$1,410,000 and HK$470,000, respectively.

(b) During the year, the Group paid rental expenses (including service charges) of HK$3,564,000 (2017 — HK$3,856,000) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease expired on 31 May 2018. The Group expects the total future minimum lease payables for the year ending 31 March 2019 to be approximately HK$532,000.

(c) During the year, the Group received interest income of HK$51,985,000 (2017 — HK$74,819,000) from a joint venture of the Group.

(d) During the year ended 31 March 2017, 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 HK$105,600,000 and 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 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.

(e) As at 31 March 2018, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 17, 18 and 26 to the financial statements.

(f) 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)*

40. 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 31 March 2018					
Available-for-sale financial assets	**–**	**–**	**3,175**	**–**	**3,175**
Financial assets at fair value through profit or loss	**7,518**	**–**	**–**	**–**	**7,518**
Loans and advances	**–**	**20,833**	**–**	**–**	**20,833**
Financial assets included in debtors, prepayments and deposits	**–**	**34,900**	**–**	**–**	**34,900**
Other financial asset	**–**	**–**	**–**	**48,826**	**48,826**
Client trust bank balances	**–**	**300,909**	**–**	**–**	**300,909**
Restricted cash	**–**	**1,073**	**–**	**–**	**1,073**
Time deposits with original maturity of more than three months	**–**	**4,785**	**–**	**–**	**4,785**
Cash and cash equivalents	**–**	**539,031**	**–**	**–**	**539,031**
	7,518	**901,531**	**3,175**	**48,826**	**961,050**
At 31 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

Notes to the Financial Statements *(continued)*

40. 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	
	2018	2017
	HK$'000	HK$'000
Bank and other borrowings	**481,667**	476,667
Financial liabilities included in creditors, accruals and deposits received	**331,132**	879,412
	812,799	1,356,079

41. 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**3,175**	4,117	**3,175**	4,117
Financial assets at fair value through profit or loss	**7,518**	9,141	**7,518**	9,141
Other financial asset	**48,826**	21,437	**48,826**	21,437
	59,519	34,695	**59,519**	34,695

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits with original maturity of more than three months, 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 at or near the 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)*

41. 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 values 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% (2017 — 3%), the fair value will be increased/decreased by HK$220,000 (2017 — HK$303,000).

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 31 March 2018:

	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	22.6% (2017 — 23.4% to 24.7%)	When the volatility of the underlying shares increases/decreases 5% (2017 — 5%), the fair value will be increased/decreased by HK$123,000 and HK$269,000 (2017 — HK$672,000 and HK$459,000), respectively

Notes to the Financial Statements *(continued)*

41. 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			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2018				
Available-for-sale financial assets:				
Equity securities	**24**	**–**	**–**	**24**
Debt securities	**–**	**2,880**	**–**	**2,880**
Investment funds	**–**	**–**	**271**	**271**
Financial assets at fair value through profit or loss:				
Equity securities	**286**	**–**	**–**	**286**
Investment funds	**–**	**158**	**7,074**	**7,232**
Other financial asset:				
Derivative financial instrument	**–**	**–**	**48,826**	**48,826**
	310	**3,038**	**56,171**	**59,519**
At 31 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

Notes to the Financial Statements *(continued)*

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

Fair value hierarchy *(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
2018			
At 1 April 2017	**1,793**	**8,296**	**21,437**
Total gains/(losses) recognised in the statement of profit or loss	**–**	**(212)**	**27,389**
Total losses recognised in other comprehensive income	**(38)**	**–**	**–**
Return of capital	**(1,496)**	**–**	**–**
Disposals	**–**	**(1,010)**	**–**
Exchange adjustments	**12**	**–**	**–**
At 31 March 2018	**271**	**7,074**	**48,826**
2017			
At 1 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 31 March 2017	1,793	8,296	21,437

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 (2017 — 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)*

42. 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:

	2018 **HK$'000**	2017 HK$'000
By geographical area:		
Hong Kong	**16,559**	17,233
Others	**12,885**	13,532
	29,444	30,765

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

Notes to the Financial Statements *(continued)*

42. 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 31 March 2018, all of the Group's debts would mature in more than one year based on the carrying values of bank and other borrowings.

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 31 March 2018					
Bank and other borrowings	**–**	**2,360**	**7,105**	**525,488**	**534,953**
Creditors, accruals and deposits received	**275,371**	**43,819**	**11,942**	**–**	**331,132**
	275,371	**46,179**	**19,047**	**525,488**	**866,085**
At 31 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

Notes to the Financial Statements *(continued)*

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

(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.

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).

	2018			2017		
	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000	Increase/ (Decrease) in basis points	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
Hong Kong dollars	+50	(1,988)	(1,988)	+50	(1,819)	(1,819)
United States dollars	+50	295	295	+50	151	151
Singapore dollars	+50	285	285	+50	19	19
Renminbi	+50	508	508	+50	807	807
Hong Kong dollars	–50	1,988	1,988	–50	1,819	1,819
United States dollars	–50	(295)	(295)	–50	(151)	(151)
Singapore dollars	–50	(285)	(285)	–50	(19)	(19)
Renminbi	–50	(508)	(508)	–50	(807)	(807)

Notes to the Financial Statements *(continued)*

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

(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.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollars, Singapore dollars 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	
	2018	2017
	HK$'000	HK$'000
United States dollars against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	**2,649**	6,058
— weakened 3% (2017 — 3%)	**(2,649)**	(6,058)
Singapore dollars against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	**4,491**	103
— weakened 3% (2017 — 3%)	**(4,491)**	(103)
Renminbi against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	**1,901**	14
— weakened 3% (2017 — 3%)	**(1,901)**	(14)

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$119,196,000 (2017 — HK$182,585,000). 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.

Notes to the Financial Statements *(continued)*

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

(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 19) and financial assets at fair value through profit or loss (Note 24) as at 31 March 2018. The Group's listed financial assets are mainly listed on the Hong Kong stock exchange 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:

	31 March 2018	**High/Low 2018**	31 March 2017	High/Low 2017
Hong Kong — Hang Seng Index	**30,093**	**33,484/23,724**	24,112	24,657/19,595

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.

The following table demonstrates the sensitivity to every 3% 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.

	2018		2017	
	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	**–**	**9**	–	55
Financial assets at fair value through profit or loss				
Hong Kong	**9**	**–**	20	–
Global and others	**217**	**–**	254	–
	226	**–**	274	–

* Excluding retained profits

Notes to the Financial Statements *(continued)*

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

(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 31 March 2018 and 2017.

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.

	2018 HK$'000	2017 HK$'000
Bank and other borrowings *(Note 27)*	**481,667**	476,667
Equity attributable to equity holders of the Company	**11,198,952**	10,012,192
Gearing ratio	**4.3%**	4.8%

43. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

Notes to the Financial Statements *(continued)*

44. 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:

	2018 HK$'000	2017 HK$'000
Non-current assets		
Fixed assets	**1,182**	1,379
Interests in subsidiaries	**2,941,569**	3,047,125
Available-for-sale financial assets	**2,880**	2,300
	2,945,631	3,050,804
Current assets		
Debtors, prepayments and deposits	**811**	728
Financial assets at fair value through profit or loss	**–**	3
Cash and cash equivalents	**254,129**	173,753
	254,940	174,484
Current liabilities		
Creditors, accruals and deposits received	**10,354**	8,587
Net current assets	**244,586**	165,897
Net assets	**3,190,217**	3,216,701
Equity		
Share capital	**1,998,280**	1,998,280
Reserves *(Note)*	**1,191,937**	1,218,421
	3,190,217	3,216,701

Notes to the Financial Statements *(continued)*

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

Note:

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

	Share premium account HK$'000	Capital redemption reserve *(Note 31(c))* HK$'000	Investment revaluation reserves HK$'000	Distributable reserves HK$'000	Total HK$'000
2018					
At 1 April 2017	**92,275**	**22,144**	**425**	**1,103,577**	**1,218,421**
Profit for the year	**–**	**–**	**–**	**12,902**	**12,902**
Other comprehensive income for the year:					
Fair value gain on available-for-sale financial assets	**–**	**–**	**580**	**–**	**580**
Total comprehensive income for the year	**–**	**–**	**580**	**12,902**	**13,482**
2016/2017 final dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**(19,983)**	**(19,983)**
2017/2018 interim dividend declared and paid to shareholders of the Company	**–**	**–**	**–**	**(19,983)**	**(19,983)**
At 31 March 2018	**92,275**	**22,144**	**1,005**	**1,076,513**	**1,191,937**
2017					
At 1 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 31 March 2017	92,275	22,144	425	1,103,577	1,218,421

Distributable reserves of the Company as at 31 March 2018 comprised contributed surplus of HK$134,329,000 (2017 — HK$134,329,000), retained earnings of HK$197,209,000 (2017 — HK$224,273,000) and the remaining balance arising from the Cancellation of HK$744,975,000 (2017 — HK$744,975,000).

Included in the distributable reserves of the Company as at 31 March 2018 was an amount of final dividend for the year then ended of HK$19,983,000 (2017 — HK$19,983,000) proposed after the end of the reporting period.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2018.

Particulars of Principal Subsidiaries

PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31 MARCH 2018 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
Fairseas 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 31 MARCH 2018 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% of all the class "A" shares in issue, 100% of all the class "B" shares in issue and approximately 36.32% of all the class "C" shares in issue which entitled the Group to 50% of the voting rights and approximately 75.45% 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 31 MARCH 2018 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group (unless otherwise stated)#	Principal activities
Sunning Asia Limited	Corporate	British Virgin Islands	US$50,000	50	Investment holding
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S$2	50	Property development
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US$2	50	Investment holding
The Macau Chinese Bank Limited	Corporate	Macau	MOP260,000,000	20	Banking
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% of all the class "A" shares in issue and 100% of all the class "B" shares in issue which entitled the Group to 50% of the voting rights and approximately 94.26% of the profit sharing of this company.*

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31 MARCH 2018

Description	Use	Approximate gross floor area	Status	Percentage of the Group's interest
		(square metres)		
People's Republic of China				
5 floors of Unit 1 Building 1, Lippo Tower No. 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	100
The above property is held under medium term lease.				
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 31 MARCH 2018

Description	Use	Approximate site area	Approximate gross floor area	Percentage of the Group's interest	Estimated completion date	Stage of development at 31 March 2018
		(square metres)	*(square metres)*			
Overseas						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	100	N/A	Vacant land

(3) PROPERTIES HELD FOR SALE AS AT 31 MARCH 2018

Description	Use	Approximate gross floor area	Percentage of the Group's interest
		(square metres)	
People's Republic of China			
Certain units and car parking spaces at No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing	Commercial/ Residential	16,406	80
Overseas			
854 West Adams Boulevard Los Angeles, CA 90007 United States of America	Residential	723	100

Summary of Financial Information

	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000 (Restated)	Year ended 31 March 2015 HK$'000 (Restated)	Year ended 31 March 2014 HK$'000
Profit attributable to equity holders of the Company	**326,840**	44,996	229,455	655,067	313,577
Total assets	**12,258,404**	11,915,519	11,443,035	12,723,654	13,176,213
Total liabilities	**(1,027,392)**	(1,860,101)	(836,343)	(2,191,786)	(2,536,665)
Net assets	**11,231,012**	10,055,418	10,606,692	10,531,868	10,639,548
Non-controlling interests	**(32,060)**	(43,226)	(79,581)	(107,099)	(248,033)
Equity attributable to equity holders of the Company	**11,198,952**	10,012,192	10,527,111	10,424,769	10,391,515

The Group had made certain retrospective adjustments to the financial information for the years ended 31 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 were provided in Note 42 to the financial statements for the year ended 31 March 2017.

Supplementary Financial Information

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31 March 2018 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Listing Rules:

	HK$'000
Pro forma combined statement of financial position	
Intangible assets	1,119,589
Fixed assets	4,362,775
Investment properties	41,460,016
Interests in equity-accounted investees	2,669,824
Properties held for sale	3,475,260
Properties under development	414,947
Available-for-sale financial assets	1,236,326
Financial assets at fair value through profit or loss	1,408,758
Loans and advances	2,868,285
Debtors, prepayments and deposits	915,856
Cash and cash equivalents	4,687,682
Assets classified as held for sale	2,089,289
Other assets	201,494
Bank and other borrowings	(28,611,304)
Creditors, accruals and deposits received	(3,233,742)
Current, fixed, savings and other deposits of customers	(4,759,940)
Tax payable	(240,555)
Shareholders' advance	(2,928,285)
Deferred tax liabilities	(1,125,155)
Other financial liabilities	(36,685)
Non-controlling interests	(16,211,091)
	9,763,344
Group's attributable interest *(Note)*	11,012,490

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