



**Lippo Limited**  
**力寶有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 226)

**2017/2018** ANNUAL REPORT



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# Corporate Information

## HONORARY CHAIRMAN\*

Dr. Mochtar Riady

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. Jark Pui Lee, SBS, OBE, JP  
Mr. Leon Nim Leung Chan

### Independent non-executive Directors

Mr. Edwin Neo  
Mr. King Fai Tsui  
Mr. Victor Ha Kuk Yung

## COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## SECRETARY

Mr. Davy Kwok Fai Lee

## AUDITOR

Ernst & Young

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Fubon Bank (Hong Kong) Limited  
China CITIC Bank International Limited  
UBS AG

## SOLICITORS

Howse Williams Bowers

## REGISTRAR

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

## REGISTERED OFFICE

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

## STOCK CODE

226

## WEBSITE

[www.lippold.com.hk](http://www.lippold.com.hk)

\* non-officer position



## 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 promising growth during the Year, with business and consumer confidence remaining strong. Although major stock markets recorded high indices, overall stock markets have become volatile since the first quarter of 2018 as investors were concerned about the trade tension between the U.S. and the People's Republic of China, higher interest rates ahead and increasing inflation pressure.

The Group, and its joint ventures and associates recorded varied results for the Year. The Group recorded a consolidated profit attributable to shareholders of approximately HK\$96 million for the Year, as compared to a consolidated profit of approximately HK\$256 million for the year ended 31 March 2017.

During the Year, the Group completed the acquisition of its interest in each of Healthway Medical Corporation Limited ("Healthway"), a well-established private healthcare provider, and TIH Limited ("TIH"), a company engaged in fund investment and management businesses. Both Healthway and TIH are listed in Singapore. The Group believes that these acquisitions will contribute to achieving its growth strategy through diversification and acquisition.

The Group is optimistic about its businesses and investments. With proven experience in diversified businesses, the Group will continue to seek prudently good business opportunities to attain sustainable growth in the long term. The outlook of the global economy is still subject to considerable risks such as trade protectionism, policy uncertainty and geopolitical tensions. Yet with a strong financial position, the Group is well positioned to meet the challenges ahead, and capitalise on the growth of the global economy.

The Directors have proposed a final cash dividend of HK5 cents per share for the Year. Together with the interim dividend of HK3 cents per share, total dividends for the Year will be HK8 cents per share.

I would like to take this opportunity to express my gratitude to shareholders for their continuing support. I would also like to thank our Directors for their valuable contribution and support, and our management and staff for their hard work and dedication.

**Stephen Riady**

*Chairman*

27 June 2018



## Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 March 2018 (the “Year”).

### BUSINESS REVIEW

#### Overview

The global economy maintained broad-based momentum during the year under review. Stock markets were bullish but experienced corrections in the first quarter of 2018 following the U.S. tariff announcements on steel and aluminum and a range of Chinese products, as well as the announcements by the People’s Republic of China (the “PRC”) of possible retaliatory tariffs on selected imports from the U.S.

#### Results for the Year

Hongkong Chinese Limited (“HKC”, together with its subsidiaries, the “HKC Group”), a 71.57% listed subsidiary of the Company, recorded a consolidated profit attributable to shareholders of approximately HK\$327 million for the year ended 31 March 2018 (the “Year”), as compared to a consolidated profit of approximately HK\$45 million for the year ended 31 March 2017 (the “Last Year” or “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 gain recognised on disposal of interests in a joint venture of HKC during the Year. Lippo China Resources Limited (“LCR”, together with its subsidiaries, the “LCR Group”), a 74.99% listed subsidiary of the Company, recorded a consolidated loss attributable to shareholders of approximately HK\$117 million for the Year, as compared to a consolidated profit of approximately HK\$388 million for the Last Year which included non-recurring gains on disposal of subsidiaries of approximately HK\$334 million. The loss for the Year incurred by the LCR Group was mainly attributable to the share of losses of its associates and joint ventures and net fair value loss on financial instruments at fair value through profit or loss due to the volatile stock markets during the Year. As a result, the Group recorded a consolidated profit attributable to shareholders of approximately HK\$96 million for the Year, as compared to a consolidated profit of approximately HK\$256 million for the Last Year.

Revenue for the Year totalled HK\$2,514 million (2017 — HK\$2,670 million). Food businesses were the principal sources of revenue of the Group, representing 92% (2017 — 89%) of total revenue.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Property investment*

The Group's investment properties are located mainly in Hong Kong and mainland China and provide a stable recurring income to the Group.

Segment revenue from the property investment business is 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 HKC. The total segment revenue for the Year decreased to HK\$96 million (2017 — HK\$116 million), mainly due to the reduction in the interest rate of loans to the LAAPL Group since January 2017.

The agreement for the exit from the project to design, develop, construct and own an integrated resort located in Incheon, Korea which will include, inter alia, hotels and service apartments (the "IR Project") (the "Exit") was fully completed in July 2017, resulting in a gain on disposal of a joint venture for the Year. The total consideration for the Exit amounted to approximately US\$23.5 million. The Exit released the capital which had been tied up in the IR Project over the past few years for general corporate purposes of the Group.

Coupled with the increase in net fair value gain on investment properties to HK\$75 million (2017 — HK\$62 million), the segment reported a profit of HK\$156 million for the Year (2017 — HK\$484 million, which included a non-recurring gain on disposal of subsidiary of approximately HK\$332 million) before accounting for the share of results from the Group's joint ventures.

LAAPL is the vehicle holding a controlling stake of OUE Limited ("OUE", together with its subsidiaries, the "OUE Group"), a company 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. The OUE Group has established a high quality property portfolio at prime locations in Singapore, Shanghai in the PRC and Los Angeles in the U.S. The transformation of OUE Downtown in Singapore into an integrated work-play-live destination, comprising offices, a retail mall and serviced residences, has been 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 square metres of premium retail space spreading over six levels, has an extensive mix of tenant offerings centred on lifestyle and wellness. Oakwood Premier OUE Singapore is the latest addition to the OUE Group's hospitality portfolio, features 268 serviced residences, on the 7th to 32nd storeys of OUE Downtown 1, offering international travellers luxury urban living with resort-style in the heart of 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, continued to strengthen 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. As at 31 March 2018, the LAAPL Group had an equity interest of approximately 68.63% in OUE.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### Property investment *(continued)*

OUE Hospitality Trust (“OUE H-Trust”), a real estate investment trust established by OUE in 2013, is listed on the Main Board of the SGX-ST. Its portfolio includes the 1,077-room Mandarin Orchard Singapore, the adjoining Mandarin Gallery (one of the most cosmopolitan retail malls) and 563-room Crowne Plaza Changi Airport in Singapore. As at 31 March 2018, the LAAPL Group held approximately 38.46% of the total number of stapled securities of OUE H-Trust in issue.

OUE Commercial Real Estate Investment Trust (“OUE C-REIT”) was established by OUE in early 2014 and is listed on the Main Board of the SGX-ST. Its property portfolio includes OUE Bayfront and One Raffles Place in Singapore as well as the properties at Lippo Plaza in Shanghai. The portfolio’s committed occupancy was 96.9% as at 31 March 2018 with all three properties achieving higher-than-market office occupancy. The OUE Group held approximately 55.73% of the total number of OUE C-REIT units in issue as at 31 March 2018.

The mandatory unconditional cash offer by the OUE Group for the shares in OUE Lippo Healthcare Limited (“OUEHL”, formerly known as International Healthway Corporation Limited) closed on 13 April 2017. OUEHL, a company listed on the sponsor-supervised listing platform (the “Catalist Board”) of the SGX-ST, 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. There are plans to expand the existing hospital as well as to develop a second hospital in the PRC and a proposed development project in Malaysia. To strengthen its financial position and enable it to execute its expansion plans, OUEHL placed 562,500,000 new ordinary shares, representing approximately 25.3% of its enlarged issued share capital, to ITOCHU Corporation (“ITOCHU”), a Tokyo Stock Exchange-listed trading company, in February 2018. Through the above placement, OUEHL looks forward to leveraging ITOCHU’s extensive network in Asia as it embarks on its growth path to expand its reach to the healthcare markets in Japan and other parts of Asia. As at 31 March 2018, the OUE Group owned approximately 64.35% equity interest in OUEHL.

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 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. The Group’s total interests in LAAPL as at 31 March 2018 increased to HK\$10.5 billion (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.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *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 shophouses and carparking spaces at Beijing Economic-Technological Development Area (北京經濟技術開發區) 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 for the Year decreased to HK\$40 million (2017 — HK\$108 million).

Given the market conditions in the region and the time required to complete and sell the development project located in China Medical City (中國醫藥城), Taizhou City, Jiangsu Province, the PRC, the Group entered into agreements for the disposal of its entire interests in 力寶置業(泰州)有限公司 (Lippo Realty (Taizhou) Limited) in May 2017 for an aggregate consideration of RMB175 million. Such disposal was completed during the Year giving rise to a non-recurring loss on disposal of subsidiary of approximately HK\$15 million which was mainly due to the release of cumulated exchange loss on translation of the subsidiary upon disposal. As a result, the segment reported a profit of HK\$2 million for the Year (2017 — HK\$29 million) and the segment asset decreased to HK\$150 million as at 31 March 2018 (2017 — HK\$333 million).

Following the purported termination by Incheon Metropolitan City Development Corporation ("IMCD", formerly known as Incheon Development & Transformation Corporation) of the land supply agreement entered into between IMCD and MIDAN City Development Co., Ltd. ("MCDC"), in which the Group has an approximately 38.54% equity interest, in respect of a tract of land located at 326 Woonbook-dong, Jung-gu, Incheon, Republic of Korea (the "Land") in September 2017, MCDC purportedly lost the rights to the Land. The Group has engaged legal advisors in the Republic of Korea (the "Korean Counsel") to provide legal advice on the suitable course of action to be taken by the Group in relation to its investment in MCDC. On 27 March 2018, the Korean Counsel submitted, on behalf of a wholly-owned subsidiary of the Company as one of the claimants (together with other Korean legal advisors submitting the same on behalf of other shareholders of MCDC, as other claimants), the Request for Arbitration (the "Request") to the International Chamber of Commerce International Court of Arbitration ("ICC Arbitration Court") for the purpose of commencing the arbitration proceeding against IMCD. On 8 June 2018, IMCD submitted its Answer to the Request to the ICC Arbitration Court (the "IMCD's Answer"). In IMCD's Answer, apart from rejecting the claims set out in the Request, IMCD asserted a counterclaim against the above subsidiary of the Company, alleging breach by it of certain development and financing-related obligations. The Group has been advised by the Korean Counsel that based on information to date, the counterclaim as set out in IMCD's Answer does not appear to have a cogent basis. It is currently expected that the above events shall not have any material effect on the financial position of the Group.

##### *Food businesses*

The Group's food businesses are mainly operated by Auric Pacific Group Limited ("Auric", together with its subsidiaries, the "APG Group"), a 50.30% subsidiary of LCR. The segment recorded a revenue of HK\$2,316 million (2017 — HK\$2,383 million), mainly from wholesale and distribution of fast moving consumer goods, food manufacturing and the food retail operations in chains of bakeries, cafes and bistros.





## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Food businesses (continued)*

The segment showed an improvement of the results and recorded a profit of HK\$159 million for the Year (2017 — HK\$101 million). The profit for the Year included a gain of HK\$15 million from the sale of a joint venture; and a gain on disposal of fixed assets and write-back of provision for impairment losses from fixed assets in a total of HK\$35 million, mainly resulted from the disposal of a factory during the Year. Auric continues to focus on building a strong foundation for its core businesses and seeks new avenues and opportunities for business growth. Auric has taken steps to increase its manufacturing capacity of housebrands, which is planned to be operational in 2019. In its pursuit of providing consumers with a wide range of healthier options, Auric launched a range of new products in the wholemeal bread and bun categories.

The cash offer for the issued and paid-up ordinary shares in the capital of Auric (the “Auric Offer”) by Silver Creek Capital Pte. Ltd. (“Silver Creek”), of which Dr. Stephen Riady, an executive Director of the Company, is a majority shareholder, closed on 7 April 2017. Auric was subsequently delisted from the Main Board of SGX-ST on 17 April 2017. The Auric Offer did not extend to the LCR Group. In July 2017, Auric announced that it proposed to cancel all the shares in Auric held by its minority shareholders, representing approximately 2% of all the then outstanding Auric’s shares in issue, by way of a selective capital reduction exercise in consideration of S\$1.65 per share (the “Selective Capital Reduction”). The Selective Capital Reduction became effective on 16 November 2017, and Auric’s outstanding shares in issue were reduced from 125,667,324 shares to 123,116,883 shares. Accordingly, the LCR Group’s equity interest in Auric was increased from 49.28% to 50.30%.

##### *Treasury and securities investments*

Treasury and securities investments businesses recorded a total revenue of HK\$36 million during the Year (2017 — HK\$36 million), mainly attributable to the interest and dividend income received from the investment portfolio.

The Group managed its investment portfolio in accordance with the investment committee’s terms of reference and looked for opportunities to enhance yields and seek gains. As of 31 March 2018, the Group’s financial assets at fair value through profit or loss amounted to HK\$1,746 million (2017 — HK\$1,037 million), comprising equity securities of HK\$809 million (2017 — HK\$435 million), debt securities of HK\$196 million (2017 — HK\$206 million), investment funds of HK\$365 million (2017 — HK\$396 million) and equity linked notes of HK\$376 million (2017 — Nil). The stock markets were volatile during the Year and the Group recorded net fair value loss on its investments under the securities investment segment of HK\$38 million for the Year (2017 — gain of HK\$203 million).

Besides, the Group also made a number of small investments in the Technology, Media and Telecommunication (TMT) sector and Biotech sector through direct investment and private investment funds in order to expand its investment portfolio in the growing New Economy.

The Group recorded a gain on disposal of available-for-sale financial assets of HK\$8 million but an impairment loss of HK\$11 million (2017 — HK\$11 million) from these investments was recorded during the Year. As a result, the treasury and securities investments businesses recorded a loss of HK\$17 million for the Year (2017 — profit of HK\$217 million).



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### Treasury and securities investments *(continued)*

Details of the major financial assets at fair value through profit or loss were as follows:

	As at 31 March 2018		Approximate percentage to the net assets	As at	For the year ended
	Fair value HK\$'000	Approximate percentage of financial assets at fair value through profit or loss		31 March 2017	31 March 2018
				Fair value HK\$'000	Net fair value gain/(loss) HK\$'000
Equity linked notes ("ELN")	376,407	21%	2%	-	(5,520)
GSH Corporation Limited ("GSH")	220,941	13%	1%	235,501	(14,561)
PPDAI Group Inc. ("PPDAI")	114,326	7%	1%	-	(70,784)
Tencent Holdings Limited ("Tencent")	69,930	4%	1%	-	(465)
Others (Note)	964,024	55%	6%	801,797	74,532
	1,745,628	100%	11%	1,037,298	(16,798)

Note: Others comprised more than 100 securities, none of which accounted for more than 4% of the financial assets at fair value through profit or loss as at 31 March 2018. The balance of "Others" as at 31 March 2017 included listed shares in Healthway Medical Corporation Limited with carrying amount of HK\$37 million, which was managed separately as disclosed under healthcare services segment below.

#### ELN and Tencent Shares

On 28 March 2018, the LCR Group subscribed for the ELN which was linked to shares in Tencent (the "Tencent Shares") with an aggregate nominal value of HK\$390 million at a consideration of approximately HK\$382 million. As at 31 March 2018, the fair value of the ELN was HK\$376 million, representing approximately 21% of the Group's total financial assets at fair value through profit or loss. Unrealised fair value loss of HK\$6 million was recorded by the Group for the Year.

The ELN matured on 11 May 2018 and the final share price of Tencent Shares was above the strike price. Accordingly, the Group received the full face value of the ELN which generated a satisfactory return of approximately 2.11% for the tenor of the ELN to the Group. Together with the reversal of the unrealised fair value loss recorded for the Year, the Group will recognise a total gain of HK\$14 million for the year ending 31 March 2019.

During the Year, the LCR Group also acquired Tencent Shares on the open market as the fundamentals of Tencent are stable and its potential future expansion globally is robust. As at 31 March 2018, the fair value of the Group's equity securities in Tencent Shares amounted to HK\$70 million, representing approximately 4% of the Group's total financial assets at fair value through profit or loss, with a fair value loss of HK\$0.5 million recognised for the Year.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### Treasury and securities investments *(continued)*

###### GSH

As at 31 March 2018, the fair value of the Group's equity securities in GSH amounted to HK\$221 million, representing approximately 13% of the Group's total financial assets at fair value through profit or loss. This investment was made for asset diversification purpose. GSH is a Singapore listed property developer in Southeast Asia with certain properties under development in Kuala Lumpur and Kota Kinabalu, Malaysia. GSH also owns 2 hotels at Sutera Harbour Resort. In July 2017, GSH completed the disposal of a subsidiary which owns GSH Plaza, its flagship commercial property in Singapore to unlock cash flow for its other businesses. GSH is launching its first luxury condominium, Coral Bay, in Kota Kinabalu and expects a good response from investors. In April 2018, it completed the acquisition of a 50% stake in a prime land parcel in the heart of Kuala Lumpur's Chinatown that could potentially be developed into a premium condominium. The Group received a dividend income from GSH of HK\$4 million for the Year. Given the volatility in the stock markets, the share price performance of GSH was not satisfactory during the Year, resulting in a fair value loss of HK\$15 million. It is expected that the share price performance will be largely affected by the global stock market conditions.

###### PPDAI

In November 2017, the LCR Group had acquired 1,538,000 American Depositary Shares ("ADSs") of PPDAI for an aggregate consideration of approximately US\$20 million in the initial public offering of PPDAI's ADSs which are listed on the New York Stock Exchange.

PPDAI is one of the leading online consumer finance marketplace in the PRC with strong brand recognition. Launched in 2007, PPDAI is one of the first entrants in online financing service in the PRC connecting borrowers and investors, whose needs have not been met by traditional financial institutions. PPDAI generates revenues primarily from fees charged to borrowers for PPDAI's services in matching them with investors and for other related services. PPDAI is of the view that with the growing wealth of the PRC's large consumer base, the increasing willingness of the PRC's young generation to spend, as well as new internet-based business models, the PRC's household consumption shows favourable growth prospects. The Group is optimistic about the prospects of the business of PPDAI. This is an opportunity allowing the Group to participate in the growing online consumer lending market in the PRC through its investment in the listed ADSs of PPDAI.

As at 31 March 2018, the Group held approximately 2 million ADSs of PPDAI with a carrying amount of HK\$114 million, representing 7% of the Group's total financial assets at fair value through profit or loss. During the Year, an announcement was made by the PRC's Government putting a cap on the interest rate and restriction on the licensing in the online financing industry which affected many companies in this sector including PPDAI as reflected in their share price. Hence, the Group recorded a fair value loss of HK\$71 million for the Year. Short term volatility is expected in this industry. Appropriate action will be taken should there be further adverse regulations imposed by the PRC's Government in the online financing industry. Nevertheless, PPDAI's matrix is good and growth in its business is expected after market consolidation.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Healthcare services*

The Group is optimistic about the prospects in the healthcare industry in Singapore, and has established its presence in this field. In February 2017, Gentle Care Pte. Ltd. ("Gentle Care"), a wholly-owned subsidiary of LCR, made a voluntary conditional cash offer for shares ("Healthway Shares") in Healthway Medical Corporation Limited ("Healthway", a company listed on the Catalist Board of the SGX-ST) at an offer price of S\$0.042 per share ("Healthway Offer"). Healthway, together with its subsidiaries, owns, operates and manages close to 100 medical centres and clinics. Healthway, as a well-established private healthcare provider in Singapore, matches the Group's strategy to establish its presence in the healthcare industry in Singapore and to acquire quality healthcare management capability. The Healthway Offer was also extended to the convertible notes in the total principal amount of S\$70 million issued by Healthway (the "CNs") to GW Active Limited ("GW", an independent third party) during the offer period. The CNs were convertible into Healthway Shares at a conversion price of S\$0.03384 per share. On 23 April 2017, an agreement was entered into between Gentle Care and GW for the acquisition of S\$15 million CNs for a consideration of approximately S\$18.6 million and such CNs were subsequently converted into Healthway Shares. The Healthway Offer closed on 12 May 2017. Following the completion of the Healthway Offer, the LCR Group was interested in approximately 55.02% of the total number of issued Healthway Shares and approximately 38.86% of the maximum potential issued share capital of Healthway assuming all the then outstanding CNs issued were fully converted into Healthway Shares. Healthway is accounted for as an associate of the Group and the purchase price allocation was completed. Upon the completion of the Healthway Offer, the investments in Healthway previously held by the Group were reclassified from available-for-sale financial assets and financial assets at fair value through profit or loss to interests in associates. Accordingly, the cumulated fair value gain of HK\$13 million in relation to the available-for-sale financial assets were reclassified from other comprehensive income to statement of profit or loss for the Year.

After the completion of the Healthway Offer, the LCR Group had acquired S\$3 million CNs which were convertible into 88,652,482 Healthway Shares. On 30 October 2017, the LCR Group had exercised its conversion rights to the S\$3 million CNs and subsequently, on the same date, GW had also exercised its conversion rights to all its S\$42 million CNs which were convertible into 1,241,134,751 Healthway Shares (together, the "CNs Conversion"). Following the CNs Conversion, there are no outstanding CNs in Healthway. The LCR Group is now interested in an aggregate of 1,848,641,265 Healthway Shares. The LCR Group's interest in Healthway was diluted from approximately 55.02% to approximately 40.82% of the enlarged issued share capital of Healthway. After the CNs Conversion, Healthway ceased to be a subsidiary of each of LCR and the Company under the Hong Kong Companies Ordinance (the "Companies Ordinance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). However, Healthway continues to be treated as an associate of each of LCR and the Company under the Hong Kong Financial Reporting Standards. The Group recorded a gain on deemed disposal from the CNs Conversion of HK\$5 million for the Year after taking into account the impact of the purchase price allocation. Coupled with the fair value gain released as mentioned above and various legal and profession fees incurred, the segment reported a profit of HK\$12 million (2017 — HK\$7 million, mainly attributable from the fair value gain on Healthway Shares previously held under financial assets at fair value through profit or loss) before accounting for the results of associates for the Year.



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Healthcare services (continued)*

Review on Healthway's operational process was conducted in the fourth quarter of 2017. A new clinical management system, which includes the enhanced work flow and control mechanism in its design, will be used to replace the existing system for greater efficiency and effectiveness in areas such as clinic operations, inventory and pricing control. It is anticipated that the pilot test of the new system will be conducted in July 2018 and the whole system will be implemented in the first quarter of 2019.

To offer cross-regional healthcare services for its customers, Healthway entered into a non-binding memorandum of understanding with UMP Healthcare Holdings Limited ("UMP") in April 2018 to develop the Care Alliance Network for selected corporate and individual customers in Hong Kong, Singapore, Beijing and Shanghai. UMP is an established healthcare service provider in Hong Kong.

As at 31 March 2018, the Group's interest in Healthway was approximately HK\$454 million. The Group shared a loss of approximately HK\$23 million from Healthway for the Year (2017 — Nil) as it took time to crystallise the impact of the recovery and turnaround plan for Healthway in the aftermath of the challenges faced before the Group became the major shareholder.

##### *Banking business*

Completion of the disposal by the HKC Group of a further 31% equity interests in The Macau Chinese Bank Limited ("MCB") took place in early November 2017 whereupon the HKC Group's equity interest in MCB was reduced from 51% to 20% and MCB ceased to be a subsidiary of each of HKC and the Company under Companies Ordinance and the Listing Rules. The Group recorded a gain on such disposal of approximately HK\$114 million for the Year.

Pursuant to the Amended and Restated Shareholders Agreement entered into in June 2018, the HKC Group has a put option to sell its remaining 20% interest to the majority shareholder of MCB at any time during the five 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 disposal during the Year, the fair value of the Put Option increased to HK\$49 million as at 31 March 2018 (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. 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 (the wholly-owned securities arm of the HKC Group) 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 (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 as at 31 March 2018 (2017 — HK\$988 million).



## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Mineral exploration and extraction*

As previously announced, the LCR Group holds a minority ownership interest in Skye Mineral Partners, LLC (“Skye”) whose major asset is substantially all of the equity interests in CS Mining, LLC (“CS Mining”), a company that owned a number of copper ore deposits in the Milford Mineral Belt in Beaver County, State of Utah in the U.S. and had engaged in the business of mining and processing copper and other minerals. The LCR Group, in response to the majority investors’ failure to properly manage the business of CS Mining, commenced a series of actions aimed at permitting CS Mining to obtain additional capital needed to turnaround its business, including a petition filed in Delaware Chancery Court asking for the appointment of a receiver. In response to those actions, an involuntary bankruptcy petition was filed by certain creditors of CS Mining pursuant to Chapter 11 of the United States Bankruptcy Code in June 2016 in the United States Bankruptcy Court for the District of Utah (the “Utah Bankruptcy Court”). In the course of its bankruptcy case, CS Mining commenced a process to sell (the “Sale Process”) all or substantially all of its assets (the “Assets”), and which assets included certain claims or causes of action that CS Mining had or may have against the LCR Group (the “Claims”). Notwithstanding the difficulties faced by CS Mining, the LCR Group remained generally positive about the long term prospects of the underlying business of CS Mining. Accordingly, the LCR Group made an investment in a joint venture consortium (the “JV Company”) for the purpose of participating in the Sale Process and bidding on the Assets in August 2017. Following a competitive auction that culminated the Sale Process, the JV Company’s bid of US\$35 million (together with the assumption of certain liabilities of CS Mining) was declared the winning bid for the Assets, and the Utah Bankruptcy Court entered an order approving and authorising the sale of the Assets, including the Claims, to the JV Company. The acquisition of the Assets, including all of the Claims, was completed on 28 August 2017. The LCR Group is effectively interested in 45% of the issued and outstanding membership interests in the JV Company. Following the purchase of the Assets, the JV Company, as the owner of all of the Claims, had entered into and granted a release of all of the Claims in favour of the LCR Group. Following the approval of the sale of the Assets, CS Mining finalised the winding down of its business through a plan of liquidation that was approved by the Utah Bankruptcy Court in April 2018. As part of that plan of liquidation, Skye’s equity interests in CS Mining were extinguished. The majority investors in Skye dismissed without prejudice litigation filed in early June 2016 against certain entities in the LCR Group for damages allegedly suffered by CS Mining. However, subsequently, in January 2018, a verified complaint (the “Complaint”) was filed in a United States state court in Delaware (the “Delaware State Court”) by the majority investors in Skye individually and derivatively on behalf of Skye against, among others, certain entities and persons in or related to the LCR Group for, among other things, damages for diminution in the value of their equity interests in CS Mining based on an alleged scheme perpetrated by the LCR Group on CS Mining. The LCR Group believes that the Complaint is frivolous and wholly without merit and will vigorously oppose the allegations set forth in the Complaint and any other claim that the majority investors in Skye may seek to bring against the LCR Group. After the filing of the Complaint, the LCR Group removed the Complaint to the United States Bankruptcy Court for the District of Delaware (the “Delaware Bankruptcy Court”) and asked the Delaware Bankruptcy Court to transfer the Complaint to the Utah Bankruptcy Court. In addition, the JV Company filed a motion with the Utah Bankruptcy Court asking the Utah Bankruptcy Court to rule that the claims set forth in the Complaint were part of the Assets that the JV Company purchased from CS Mining (the “Motion to Enforce”). On 4 June 2018, the Utah Bankruptcy Court determined that it did not have jurisdiction to decide the Motion to Enforce. The LCR Group is currently evaluating all options to have the issues underlying the Motion to Enforce determined. On 19 June 2018, a subsidiary of the Company commenced an involuntary Chapter 7 bankruptcy case against Skye in the Delaware Bankruptcy Court. On 22 June 2018, two subsidiaries of the Company that are named in the Complaint removed the Complaint back to the Delaware Bankruptcy Court following the Delaware Bankruptcy Court’s ruling on 18 June 2018 remanding the Complaint back to Delaware State Court. In their notice of removal of the Complaint back to Delaware Bankruptcy Court, two subsidiaries of the Company stated that since the claims asserted in the Complaint relate to Skye, and as alleged by the majority investors in Skye are claims owned by Skye, those claims should be administered as part of the bankruptcy case of Skye pending in the Delaware Bankruptcy Court.





## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Results for the Year *(continued)*

##### *Mineral exploration and extraction (continued)*

Following the acquisition of the Assets by the JV Company, the JV Company had commenced the copper production. In order to achieve a higher production level, the JV Company is in the process of enhancing the mining and processing activities of the plant. The Group shared a loss of joint ventures of HK\$44 million for the Year (2017 — Nil).

As at 31 March 2018, as a result of the participation in investment in the JV Company, total assets under this segment (comprising segment assets and interests in joint ventures) increased to HK\$90 million (2017 — HK\$3 million). Segment loss before accounting for share of results of joint ventures for the Year amounted to HK\$11 million (2017 — HK\$85 million), which included a write-back of provision for impairment losses on loans and receivables of HK\$21 million (2017 — provision of HK\$58 million).

##### *Other business*

In order to expand its scope of business in securities and fund investments in Asia, in January 2018, Kaiser Union Limited (“Kaiser Union”), a wholly-owned subsidiary of LCR, as the bid vehicle for Premier Asia Limited, a wholly-owned subsidiary of LCR, and Alexandra Road Limited (“ARL”, an independent third party) (collectively, the “Joint Offerors”) made a voluntary unconditional offer for shares (the “TIH Shares”) in TIH Limited (“TIH”), a company listed on the Main Board of SGX-ST, at an offer price of S\$0.57 per share (the “TIH Offer”), as to which S\$0.125 was paid in cash and S\$0.445 was paid by the notes issued by Kaiser Union. Such notes bear interest at a rate of 2.25% per annum accruing on and from the issue of the notes until the date falling three years from the close of the TIH Offer (the “Notes”). TIH is a closed-end fund in Singapore, with focus on investment in various sectors in Asia such as consumer and industrial products, healthcare, technology, media and telecommunications, food, manufacturing and chemicals. The Group was of the view that the acquisition of interest in TIH would be beneficial to the future business direction, management and operations of the Group. The TIH Offer closed on 20 February 2018 and Kaiser Union received valid acceptances in respect of 110,732,656 TIH Shares, representing approximately 45.8% of the issued TIH Shares. As a result, the Notes of S\$49.3 million (equivalent to approximately HK\$295 million) were issued and included in the segment liabilities as at 31 March 2018. Pursuant to a review performed by the Joint Offerors following the close of the TIH Offer, Kaiser Union had transferred 14,259,453 TIH Shares, representing approximately 5.9% of the issued TIH Shares, to ARL so to reach a desired level of shareholding percentage in TIH. Following the above transfer, the Group’s interest in TIH was reduced to 96,473,203 TIH Shares, representing approximately 39.9% of the issued TIH Shares. TIH became an associate of the LCR Group since then. The Group recorded a share of profit of HK\$4 million from its investment in TIH for the Year (2017 — Nil) and the interests in TIH as at 31 March 2018 amounted to HK\$334 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\$19.6 billion (2017 — HK\$18.5 billion). Property-related assets amounted to HK\$12.8 billion as at 31 March 2018 (2017 — HK\$11.8 billion), representing 65% (2017 — 64%) of the total assets. During the Year, the Group started to occupy some of its properties for own office usage instead of renting to third parties. Accordingly, the Group's fixed assets as at 31 March 2018 increased to HK\$1.1 billion (2017 — HK\$0.2 billion) while the investment properties as at 31 March 2018 decreased to HK\$0.9 billion (2017 — HK\$1.5 billion). Total liabilities increased to HK\$4.4 billion (2017 — HK\$4.3 billion), mainly due to the increase in bank and other loans, the Notes issued in connection with the TIH Offer as well as the trade payables for securities investment business. The Group maintained a strong cash position. Current ratio as at 31 March 2018 increased to 2.0 (2017 — 1.6).

As at 31 March 2018, total cash and bank balances (consisted of cash and cash equivalents, time deposits with original maturity of more than three months and restricted cash) amounted to HK\$1.9 billion (2017 — HK\$3.1 billion). The decrease of the total cash and bank balances was mainly due to the various investments in associates, joint ventures and securities investments during the Year. Restricted cash balance as at 31 March 2018 included cash balance of HK\$54 million which is solely earmarked to satisfy the principal and interest repayment for the Notes (other than those held by ARL and other concert parties of the TIH Offer). As at 31 March 2017, in connection with the Healthway Offer, certain cash and bank balances, financial assets at fair value through profit or loss and available-for-sale financial assets were pledged to a bank as security for the bankers' guarantees issued to Gentle Care in a total amount of S\$228 million. Such cash and bank balances with a carrying amount of HK\$0.9 billion was classified as restricted cash. The bankers' guarantees had not been utilised and expired in June 2017. The charges on the aforesaid assets had been fully released, with the restricted cash reclassified back to cash and cash equivalents.

As at 31 March 2018, bank and other borrowings of the Group increased to HK\$2.5 billion (2017 — HK\$2.0 billion), which included bank loans of HK\$2.0 billion (2017 — HK\$1.4 billion), other loans of HK\$0.2 billion (2017 — HK\$0.6 billion), Notes issued in connection with the TIH Offer of HK\$0.3 billion (2017 — Nil), and obligations under finance leases of HK\$1 million (2017 — HK\$2 million).

As at 31 March 2018, the bank loans comprised secured bank loans of HK\$1,484 million (2017 — HK\$850 million) and unsecured bank loans of HK\$521 million (2017 — HK\$577 million) and were denominated mainly in Hong Kong dollars and Malaysian Ringgit. The bank loans were secured by certain properties, shares in certain subsidiaries and certain bank deposits of the Group. All of the bank loans carried interest at floating rates. Other loans, denominated in Hong Kong dollars, were unsecured fixed rate loans advanced from Lippo Capital Limited, a holding company of the Company. The Notes were unsecured, denominated in Singapore dollars, and carried interest at a rate of 2.25% per annum. The obligations under finance leases were secured by the rights to the leased fixed assets. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure.





## Report of the Directors *(continued)*

### BUSINESS REVIEW *(continued)*

#### Financial Position *(continued)*

As at 31 March 2018, approximately 29% (2017 — 76%) of the bank and other borrowings were repayable within one year after the re-financing of bank loans during the Year. As at 31 March 2018, the gearing ratio (measured as total borrowings, net of non-controlling interests, to equity attributable to equity holders of the Company) was 19.2% (2017 — 17.3%).

In December 2017, the Group acquired an aggregate of 114,373,650 shares in HKC, representing approximately 5.72% of the total issued shares in HKC, at an aggregate consideration of approximately HK\$148.7 million. Besides, the Group acquired an aggregate of 220,215,000 shares in LCR, representing approximately 2.40% of the total issued shares in LCR, at an aggregate consideration of approximately HK\$52.9 million. Following the completion of the above acquisitions, the Group's interests in HKC and LCR increased to approximately 71.57% and 74.99%, respectively and an increase of equity in a total of approximately HK\$514 million was recognised directly in the reserves of the Group during the Year. The Group is confident on the long-term potential growth and development of HKC and LCR, and the above acquisitions represented a good opportunity for the Group to increase its ownership in HKC and LCR.

The net asset value attributable to equity holders of the Group increased to HK\$10.3 billion as at 31 March 2018 (2017 — HK\$9.0 billion), mainly attributable to the translation gains on foreign operations from the appreciation of Singapore dollars and the increase of reserves of the Group from the further acquisitions of HKC and LCR. This was equivalent to HK\$21.0 per share as at 31 March 2018 (2017 — HK\$18.3 per share).

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

The Group had bankers' guarantees of approximately HK\$35 million as at 31 March 2018 (2017 — HK\$33 million) issued in lieu of rental and utility deposits for the premises used for operation of food businesses. Approximately 58% (2017 — 58%) of the bankers' guarantees were secured by certain bank deposits of the Group. Aside from the abovementioned, the Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year (2017 — Nil).

The Group's commitments are mainly related to the property and securities investments. The commitment as at 31 March 2017 included HK\$506 million commitment in relation to Healthway Offer which was closed in May 2017. Hence, total commitment as at 31 March 2018 decreased to HK\$101 million (2017 — HK\$638 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 1,838 full-time employees as at 31 March 2018 (2017 — 1,950 full-time employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss during the Year amounted to HK\$470 million (2017 — HK\$509 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

Building on strong fundamentals in food and property businesses, the Group sees favourable business potential in the healthcare and technology sectors. While the growth of the global economy is likely to maintain solid pace, uncertainties and untoward risks such as the threat of protectionism and rising international tensions may weaken market confidence with downside repercussions. Rising interest rates and generally tightened financial market conditions may pull back the growth of many economies and affect the performance of stock markets. The Group is watchful of market developments and is well equipped to manage the challenges and uncertainties ahead. It will continue to take a prudent approach in investing and assessing new opportunities to achieve sustainable growth and to enhance shareholders' value.

### BUSINESS STRATEGY

The business activities of the Group are diversified. Lippo China Resources Limited and Hongkong Chinese Limited, the major subsidiaries of the Company, have been the major contributors to the Group's results. The Group is committed to achieve long term sustainable growth of its businesses in preserving and enhancing the shareholders' value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates, joint ventures and joint operation are principally engaged in investment holding, property investment, property development, food businesses, healthcare services, hotel operation, property management, project management, mineral exploration, extraction and processing, 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, principal joint ventures and joint operation are set out in the financial statements on pages 190 to 203, pages 204 and 205, pages 206 and 207, and page 208, respectively.

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

### SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activity and geographical area for the Year is set out in Note 4 to the financial statements.



## Report of the Directors *(continued)*

### RESULTS AND DIVIDENDS

The results and details of cash flows of the Group for the Year and the financial position of the Group as at 31 March 2018 are set out in the financial statements on pages 86 to 208.

An interim dividend of HK3 cents per share (For the six months ended 30 September 2016 — HK3 cents per share) for the six months ended 30 September 2017 was paid in January 2018. The Directors have resolved to recommend the payment of a final dividend of HK5 cents per share (2017 — HK5 cents per share) amounting to approximately HK\$24.7 million for the Year (2017 — approximately HK\$24.7 million). Total dividends for the Year will be HK8 cents per share (2017 — HK8 cents per share) amounting to approximately HK\$39.5 million (2017 — approximately HK\$39.5 million).

### SUMMARY OF GROUP 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 215.

### GOODWILL

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

### INVESTMENT PROPERTIES

Details of movements in the investment properties during the Year are set out in Note 19 to the financial statements.

### BANK LOANS

Details of bank loans are summarised in Note 30 to the financial statements.

### SHARE CAPITAL

Details of the share capital of the Company are set out in Note 34 to the financial statements.

### SHARE OPTION SCHEMES

Details of the share option schemes of the Company and its subsidiaries are set out in Note 35 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK\$237,161,000. As at 31 March 2018, other distributable reserve amounted to HK\$1,709,202,000.

### EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 49 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 190 to 203.

### DONATIONS

Charitable and other donations made by the Group during the Year amounted to HK\$26,415,000 (2017 — HK\$3,133,000).



## Report of the Directors *(continued)*

### HONORARY CHAIRMAN

On 25 April 2003, the Directors of the Company appointed Dr. Mochtar Riady as Honorary Chairman of the Company in recognition of his valuable contribution to the Company in the past. Dr. Mochtar Riady was not appointed as a director or officer of the Company. He has no executive or management function within the Company and will not attend or vote at meetings of Directors. He will not have any involvement in the day-to-day management, oversight or other operation of the Company.

### DIRECTORS

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

#### Executive Directors

Dr. Stephen Riady (*Chairman*)

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

#### Non-executive Directors

Mr. Jark Pui Lee, SBS, OBE, JP

Mr. Leon Nim Leung Chan

#### Independent non-executive Directors

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

In accordance with Article 112 of the Company's Articles of Association (the "Articles"), Dr. Stephen Riady and Messrs. John Luen Wai Lee and Edwin Neo will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Other than Mr. Jark Pui Lee, the Directors of the Company are also directors of certain subsidiaries of the Company. A list of directors of the Company's subsidiaries during the Year and up to the date of this report is available on the Company's website ([www.lippold.com.hk](http://www.lippold.com.hk)).

Each of Messrs. King Fai Tsui and Victor Ha Kuk Yung 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. Stephen Riady and Mr. John Luen Wai 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. Mr. Jark Pui 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 March 2017. Following the expiry of the term under their respective former letter agreements with the Company, each of Messrs. Leon Nim Leung Chan and Edwin 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. All the above letter agreements will be terminable by either party by giving three months' prior written notice. The term of the office of the Directors is also subject to the provisions of the Articles. In accordance with the Articles, one-third of the Directors of the Company must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement by rotation at least once every three years notwithstanding that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors.



## Report of the Directors *(continued)*

### DIRECTORS *(continued)*

In addition, Dr. Stephen Riady entered into an employment agreement for his employment as an Executive President of the Company with effect from 1 January 2015. The above employment agreement is terminable by either party by giving three months' prior written notice. Dr. Stephen Riady also entered into employment agreements/employment contract with three subsidiaries of the Company which are terminable by either party by giving three months' or six months' prior written notice (as the case may be). Mr. John Luen Wai Lee entered into employment agreements with two subsidiaries of the Company which are terminable by either party by giving three months' prior written notice.

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

Under the Company's Articles, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. A Directors' and Officers' Liability Insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Stephen Riady**, aged 58, has been the Chairman of the board of directors of the Company since 1991. He is also an executive director and the Chairman of the board of directors of each of Lippo China Resources Limited ("LCR") and Hongkong Chinese Limited ("HKC"), both are public listed companies in Hong Kong. He has been the Executive President of each of the Company, LCR and HKC since January 2015. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He also holds directorship in certain subsidiaries of the Company. Dr. Riady is the Executive Chairman of OUE Limited, a company listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST"). He is a non-independent and non-executive director of OUE Lippo Healthcare Limited and a non-executive non-independent director of Healthway Medical Corporation Limited ("HMC"), both are listed on the sponsor-supervised listing platform of the SGX-ST. He is also 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 Holdings Company Limited and Lippo Capital Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Dr. Riady is a graduate of the University of Southern California, United States of America and holds a Master Degree of Business Administration from Golden Gate University, United States of America and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Dr. Riady is the father-in-law of Dr. Andy Adhiwana, an executive director and the Group Chief Executive Officer of Auric. 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. 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 Securities and Futures Ordinance" below.



## Report of the Directors *(continued)*

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

**Mr. John Luen Wai Lee**, BBS, JP, aged 69, has been the Managing Director of the Company since 1991 and is also the Chief Executive Officer of the Company. He is an executive director and the Chief Executive Officer of LCR and HKC, 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. Mr. Lee is an authorised representative of the Company, LCR and HKC. In addition, he holds directorships in certain subsidiaries of the Company. Mr. Lee is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Pricewaterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Mr. Lee is active in public service. Over the years, he has served as a member or chairman of different government boards and committees 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.

**Mr. Jark Pui Lee**, SBS, OBE, JP, aged 78, was appointed a Director of the Company in 1992 and was re-designated from an executive Director to a non-executive Director of the Company in March 2015. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. He worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 40 years, and was Chairman of the Government's Social Welfare Advisory Committee, the General Support Programme Vetting Committee of the Innovation and Technology Commission, Hong Kong Council of Social Service, the Legal Aid Services Council, the Po Leung Kuk and the Agency for Volunteer Service and the Hong Kong Council of Volunteering. Mr. Lee is currently the Chairman of International Chamber of Commerce — Hong Kong.

**Mr. Leon Nim Leung Chan**, aged 62, was appointed an independent non-executive Director of the Company in 1997 and was re-designated as a non-executive director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008. He is also a non-executive director of LCR and HKC. Mr. Chan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. He is also a director of a subsidiary of HKC.



## 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 in March 2002. He 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. Mr. Neo is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. Mr. Neo 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 of LCR. Mr. Neo is also a member of the Remuneration Committee, Nomination Committee and Audit Committee of each of the Company and LCR. He was appointed an independent non-executive director and a member of the Remuneration Committee, Nomination Committee and Audit Committee of HKC on 1 January 2018. Mr. Neo was an independent non-executive director of Auric.

**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. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. Mr. Tsui is an independent non-executive director of LCR and HKC. He is the Chairman of the Audit Committee of HKC and a member of the Audit Committee of each of the Company and LCR. He is also the Chairman of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC.

**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. Mr. Yung holds a Master of Science Degree in Corporate Governance and Directorship from the Hong Kong Baptist University, and is a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of LCR and HKC. Mr. Yung is the Chairman of the Audit Committee of each of the Company and LCR and a member of the Audit Committee of HKC. He is also a member of the Remuneration Committee and Nomination Committee of each of the Company, LCR and HKC. Mr. Yung is an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a public listed company in Hong Kong.

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.





## Report of the Directors *(continued)*

### 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/employment contract (as applicable) with the Group and/or paid under the relevant statutory requirement save for those as disclosed hereinbelow:

- (a) (i) the fixed bonuses of Dr. Stephen Riady in an aggregate amount of HK\$249,000; and (ii) a discretionary bonus of Dr. Stephen Riady in an amount of HK\$8,000,000;
- (b) (i) the director's fee of Mr. John Luen Wai Lee in an amount of HK\$30,000 for serving as a director of a subsidiary of the Company; and (ii) a discretionary bonus of Mr. John Luen Wai Lee in an amount of HK\$2,000,000;
- (c) the director's fee of Mr. Leon Nim Leung Chan in an amount of HK\$30,000 for serving as a director of a subsidiary of the Company; and
- (d) the director's fee of Mr. Edwin Neo in an amount of approximately HK\$619,000 for serving as an independent non-executive director of a subsidiary of the Company.

Dr. Stephen Riady and Mr. John Luen Wai Lee are entitled to receive salaries, discretionary bonuses and/or other fringe benefits for the executive role in the Group under their respective employment agreements/employment contract with the Group.

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





## Report of the Directors *(continued)*

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

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

	HK\$
<b>Audit Committee</b>	
Chairman	76,800
Member	50,400
<b>Other Committees</b>	
Chairman	50,400
Member	50,400

With effect from 1 April 2018, the director's fee payable to each of the Directors of the Company was adjusted from HK\$230,400 per annum to HK\$238,800 per annum and the fees payable to non-executive Directors per annum for serving as Chairmen and/or members of various board committees of the Company 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 Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

#### Interests in shares and underlying shares of the Company and Associated Corporations

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Total interests	Approximate percentage of total interests in the issued shares
<b>Number of ordinary shares in the Company</b>					
Stephen Riady	–	–	369,800,219 <i>Note (i)</i>	369,800,219	74.98
Jark Pui Lee	–	60	–	60	0.00
John Luen Wai Lee	1,031,250	–	–	1,031,250	0.21
<b>Number of ordinary shares in Lippo China Resources Limited ("LCR")</b>					
Stephen Riady	–	–	6,890,184,389 <i>Notes (i) and (ii)</i>	6,890,184,389	74.99
<b>Number of ordinary shares of HK\$1.00 each in Hongkong Chinese Limited ("HKC")</b>					
Stephen Riady	–	–	1,430,081,492 <i>Notes (i) and (iii)</i>	1,430,081,492	71.57
Jark Pui Lee	469	469	–	938	0.00
John Luen Wai Lee	2,000,270	270	–	2,000,540	0.10
King Fai Tsui	600,000	75,000	–	675,000	0.03

Note:

- (i) As at 31 March 2018, Lippo Capital Limited ("Lippo Capital"), an Associated Corporation of the Company, and through its wholly-owned subsidiary, J & S Company Limited, was directly and indirectly interested in an aggregate of 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, the Company. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings Company Limited ("Lippo Capital Holdings"), an Associated Corporation of the Company, which in turn was a wholly-owned subsidiary of Lippo Capital Group Limited ("Lippo Capital Group"), an Associated Corporation of the Company. Dr. Stephen Riady ("Dr. Riady") was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group.
- (ii) As at 31 March 2018, the Company, through its 100% owned subsidiaries, was indirectly interested in 6,890,184,389 ordinary shares in, representing approximately 74.99% of the issued shares of, LCR.
- (iii) As at 31 March 2018, the Company, through its 100% owned subsidiaries, was indirectly interested in 1,430,081,492 ordinary shares of HK\$1.00 each in, representing approximately 71.57% of the issued shares of, HKC.



## Report of the Directors *(continued)*

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

#### Interests in shares and underlying shares of the Company and Associated Corporations *(continued)*

As mentioned in Note (i) above, Dr. Riady was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group. Through his interest in Lippo Capital Group, Dr. Riady was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations of the Company 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 ("Auric")	(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
Gemdale Properties and Investment Corporation Limited	(e)	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
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	(c)	Ordinary shares	423,414,001	60
Lippo Capital Holdings	(g)	Ordinary shares	1	100
Lippo Finance Limited	(a)	Ordinary shares	6,176,470	82.35
Lippo Health Care Limited	(f)	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
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. Details of Dr. Riady's interest in LCR are disclosed in Notes (i) and (ii) above. 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, representing approximately 71.99% of the issued shares of, Auric.
- (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, a 86.16% owned indirect subsidiary of OUE Limited ("OUE"). OUE was indirectly owned as to approximately 68.63% by Fortune Code Limited ("Fortune Code"). HKC, through its 50% joint venture, held 92.05% interest in Fortune Code. Details of Dr. Riady's interest in HKC are disclosed in Notes (i) and (iii) above.
- (e) Such shares were held by OUE Lippo Limited which was indirectly owned as to 50% by OUE. Details of Dr. Riady's interest in OUE are disclosed in Note (d) above.
- (f) Such share was 100% held directly by Brainy World. Details of Dr. Riady's interest in Brainy World are disclosed in Note (d) above.
- (g) Such share was 100% held directly by Lippo Capital Group.

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 arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## Report of the Directors *(continued)*

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

As at 31 March 2018, so far as is known to the Directors of the Company, 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 Securities and Futures Ordinance (the "SFO") as follows:

#### Interests of substantial shareholders in shares of the Company

Name of substantial shareholder	Number of ordinary shares	Approximate percentage of the issued shares
Lippo Capital Limited ("Lippo Capital")	369,800,219	74.98
Lippo Capital Holdings Company Limited ("Lippo Capital Holdings")	369,800,219	74.98
Lippo Capital Group Limited ("Lippo Capital Group")	369,800,219	74.98
Madam Shincee Leonardi	369,800,219	74.98
PT Trijaya Utama Mandiri ("PT TUM")	369,800,219	74.98
Mr. James Tjahaja Riady	369,800,219	74.98
Madam Aileen Hambali	369,800,219	74.98

*Note:*

- Lippo Capital, through its wholly-owned subsidiary, J & S Company Limited, was indirectly interested in 14,699,997 ordinary shares of the Company. Together with 355,100,222 ordinary shares of the Company owned by Lippo Capital directly as beneficial owner, Lippo Capital was interested in an aggregate of 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, the Company.
- 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. Stephen Riady was the beneficial owner of 100% of the issued share capital of Lippo Capital Group. Madam Shincee Leonardi is the spouse of Dr. Stephen Riady.
- PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr. James Tjahaja Riady who is a brother of Dr. Stephen Riady. Madam Aileen Hambali is the spouse of Mr. James Tjahaja Riady.
- Lippo Capital's interests in the ordinary shares of the Company were recorded as the interests of Lippo Capital Holdings, Lippo Capital Group, Madam Shincee Leonardi, PT TUM, Mr. James Tjahaja Riady and Madam Aileen Hambali. The above 369,800,219 ordinary shares of the Company related to the same block of shares that Dr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

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. Stephen Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 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.

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

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

### CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

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

#### Continuing Connected Transactions

- (A) A tenancy agreement dated 22 August 2014 was entered into between Serene Yield Limited ("Serene Yield"), a wholly-owned subsidiary of Lippo China Resources Limited ("LCR", together with its subsidiaries, the "LCR Group") which in turn is a subsidiary of the Company, and LCR Catering Services Limited ("LCR Catering"), a subsidiary of Auric Pacific Group Limited ("Auric") which in turn is a subsidiary of LCR, pursuant to which LCR Catering agreed to lease from Serene Yield Unit 4, Ground Floor, Lippo Centre, 89 Queensway, Hong Kong ("Lippo Centre"), with a net floor area of approximately 7,964 square feet, for a term of three years from 22 August 2014 to 21 August 2017, both days inclusive, at a monthly rental of HK\$398,200, exclusive of rates, service charge and all other outgoings, for use as a restaurant with an option to renew for a further three years upon current lease expiry (the "Additional Term") at the then open market rent for prime retail/restaurant accommodation in the Admiralty District of Hong Kong, provided that LCR Catering was not in breach of the existing tenancy agreement and that the rent for the Additional Term should not be more than 20% higher than the rent payable during the last year of the initial term. The service charge of HK\$65,040 per month (subject to adjustment) should be payable by LCR Catering to Serene Yield and such service charge should not exceed HK\$90,000 per month (the "Maximum Service Charge").

The maximum aggregate value, that is, the annual cap for the above tenancy agreement, which was equivalent to the annual rental and the annual Maximum Service Charge, for the Year was HK\$2,295,000.

As at the date of the above tenancy agreement, Dr. Stephen Riady ("Dr. Riady"), an executive Director of the Company, through companies controlled by him, was indirectly interested as to approximately 21.9% of the total issued shares of Auric. Such interest was subsequently transferred to his son-in-law.



## Report of the Directors *(continued)*

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

#### Continuing Connected Transactions *(continued)*

- (B) A tenancy agreement dated 21 August 2017 was entered into between Serene Yield and LCR Catering pursuant to which LCR Catering agreed to lease from Serene Yield Unit 4, Ground Floor, Lippo Centre, with a net floor area of approximately 7,964 square feet, for a term of three years from 22 August 2017 to 21 August 2020, both days inclusive, at a monthly rental of HK\$405,000, exclusive of rates, service charge and all other outgoings, for use as a restaurant with an option to renew for a further three years upon current lease expiry (the "New Additional Term") at the then open market rent for prime retail/restaurant accommodation in the Admiralty District of Hong Kong, provided that LCR Catering is not in breach or non-observance of the existing tenancy agreement and that the rent for the New Additional Term shall not be more than 20% higher nor less than the rent payable during the last year of the initial term. The service charge of HK\$70,243 per month (subject to adjustment) shall be payable by LCR Catering to Serene Yield and such service charge shall not exceed HK\$95,000 per month (the "New Maximum Service Charge"). The maximum aggregate value, that is, the annual cap for the above tenancy agreement, which is equivalent to the annual rental and the annual New Maximum Service Charge, for the Year was HK\$3,661,290.

As at the date of the above tenancy agreement, Dr. Riady, an executive Director of the Company, through a company controlled by him, was indirectly interested as to approximately 21.2% of the total issued shares of Auric.

The independent non-executive Directors have confirmed that the above tenancy agreements had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the above tenancy agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the above auditor's letter will be provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.



## Report of the Directors *(continued)*

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

#### Connected Transactions

- (C) On 28 October 2015, a sale and purchase agreement was entered into between Winwise Holdings Limited (the "Vendor"), a wholly-owned subsidiary of Hongkong Chinese Limited which in turn is a subsidiary of the Company, and 南粵(集團)有限公司 (Nam Yue (Group) Company Limited) (the "Purchaser"), (the "Sale and Purchase Agreement") pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 416,000 shares of MOP100 each in, representing 16% of the issued shares of, The Macau Chinese Bank Limited ("MCB"), at a consideration of MOP144 million (equivalent to approximately HK\$140 million) (the "Disposal").

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

MCB was formerly owned as to 51% by the Vendor. The Purchaser formerly held 40% interest in MCB, and thus was a substantial shareholder of MCB.

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

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

On 30 June 2017, the Vendor and the Purchaser entered into another supplemental agreement to the Sale and Purchase Agreement to further extend the deadline for obtaining the approval of AMCM from 30 June 2017 to 31 December 2017.

The Vendor was informed that MCB received the approval of AMCM for the Disposal on 27 October 2017. Accordingly, all the conditions precedent in respect of the Disposal were met. The Disposal was completed on 3 November 2017.





## Report of the Directors *(continued)*

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

#### Connected Transactions *(continued)*

(D) On 13 April 2017, a letter of undertaking was entered into between Silver Creek Capital Pte. Ltd. (“Silver Creek”) and LCR pursuant to which Silver Creek undertook with LCR that Silver Creek should (i) own such number of ordinary shares in the capital of Auric (the “Auric Shares”) which should not be less than 1,256,674 Auric Shares (such number might be adjusted in the event of a consolidation or sub-division of the outstanding Auric Shares) (the “Relevant Shares”) and (ii) exercise or refrain from exercising the voting rights attached to any or all of the Relevant Shares in accordance with such written directions as LCR might from time to time issue and deliver to Silver Creek (the “Undertaking”). The Undertaking would allow LCR to maintain majority control in Auric and remain as the holding company (as defined in the Listing Rules) of Auric after the completion of the voluntary conditional offer for shares in Auric made by Silver Creek (the “Offer”).

On 17 July 2017, Auric announced its proposal to cancel 2,550,441 Auric Shares that were not held by Auric’s controlling shareholders, representing approximately 2% of all the then outstanding Auric Shares in issue, by way of selective capital reduction exercise (the “Selective Capital Reduction”) in consideration of S\$1.65 in cash per Auric Share, amounting to approximately S\$4,208,000. Such consideration per Auric Share was the same consideration per Auric Share received by former Auric shareholders who tendered their Auric Shares in acceptance of the Offer. On 16 November 2017 (the “Effective Date”), Auric lodged the sealed court order and other relevant documents with the Registrar of Companies of Singapore upon which the Selective Capital Reduction took effect. Accordingly, on the Effective Date, the outstanding Auric Shares in issue were reduced from 125,667,324 Auric Shares to 123,116,883 Auric Shares and the LCR Group’s actual equity interest in Auric was increased from 49.28% to 50.30%. The Company remains as the holding company (as defined in the Listing Rules) of Auric which continues to be accounted for as a subsidiary of the Company. As the LCR Group owns more than 50% of the issued and outstanding Auric Shares, the Undertaking was accordingly terminated with effect from the Effective Date.

Dr. Riady, an executive Director of the Company, is the majority shareholder of Silver Creek which in turn is a substantial shareholder of Auric.

The Directors of the Company were of the view that the terms of the above agreements referred to in (A) to (C) above were determined on fair and reasonable basis and in accordance with normal commercial terms and that such transactions were in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

The Directors of the Company (excluding Dr. Riady who had abstained from voting) considered the terms of the Undertaking and the Selective Capital Reduction referred to in (D) above were fair and reasonable and on terms favourable to and in the interests of the Company and its shareholders as a whole.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions and connected transactions disclosed herein.



## Report of the Directors *(continued)*

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

The Group had granted financial assistance to Fortune Code Limited ("FCL"), a subsidiary of Lippo ASM Asia Property Limited which in turn is a principal joint venture of the Group. The relevant advances disclosed pursuant to Rule 13.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and remained outstanding as at 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;
- (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.



## Report of the Directors *(continued)*

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

On 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' INTEREST IN CONTRACTS

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

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

### DIRECTORS' SERVICE CONTRACTS

No Director of the Company 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).

### MANAGEMENT CONTRACTS

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

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

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

### MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 30% of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 17%. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was 32% of the Group's aggregate purchases and purchases attributable to the largest supplier included therein amounted to 9%.

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



## Report of the Directors *(continued)*

### RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and dominant status, the Group aims at delivering constantly high standards of quality in the products and 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 SCHEMES

Details of the retirement benefits schemes 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(ab) 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 37 to 47.

### 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 48 to 58. There may be other risks and uncertainties in addition to those shown in the above report which are not known to the Group or which may not be material now but could turn out to be material in the future.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, social and governance ("ESG") issues are fundamental to the Group's sustainability. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment.

The Group obliges itself to maintain business integrity and uphold ethical standards. Guided by a belief in a fair business environment where labour, competition, privacy and intellectual property are respected, the Group makes effort to communicate its expectations and standards to its business partners, customers and staff.

The development and opinion of staff are highly valued at the Group. By engaging staff in training opportunities and ongoing dialogues, the Group keeps its ears open for suggestions. The Group has incorporated a sound employment management system to ensure a fair, safe, healthy and diverse working environment.



## Report of the Directors *(continued)*

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(continued)*

In times of rapid change, competitiveness is defined by flexibility and adaptability. To answer the needs of the current and future generations, the Company carefully manages its environmental impacts according to its Environmental Policy. By optimising its operational practices, the Group continues to improve its use of resources.

Striving forward, the Company will adhere to its belief in sustainable development and improve its ESG performances with time. Capitalising on a wide scope of business, the Company will aim at spreading awareness and influence in different sectors to bring it closer to sustainability.

By publishing the Company's ESG Report, the Company seizes the opportunity to disclose its sustainability performance and solicit stakeholder feedback. The Company's ESG Report is set out on pages 59 to 79.

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### 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 itself for re-appointment.

On behalf of the Board

**John Luen Wai Lee**

*Managing Director and Chief Executive Officer*

Hong Kong, 27 June 2018



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2018 (the “Year”), the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the CG Code for the Year.

## DIRECTORS’ SECURITIES TRANSACTIONS

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

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

## BOARD OF DIRECTORS

The Board currently comprises seven members (the composition of the Board is shown on page 19), including two executive Directors and five 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 20 to 22). A list containing the names of the Directors and their roles and functions can also be found on the Company’s website ([www.lippold.com.hk](http://www.lippold.com.hk)) and the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)). To the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

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



## Corporate Governance Report *(continued)*

### BOARD OF DIRECTORS *(continued)*

Messrs. Edwin Neo (who is to retire by rotation at the forthcoming 2018 annual general meeting of the Company (the "2018 AGM")), King Fai Tsui and Victor Ha Kuk Yung 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 Messrs. Edwin Neo, King Fai Tsui and Victor Ha Kuk Yung 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 has had any impact on their independence. The Directors are of the opinion that Messrs. Edwin Neo, King Fai Tsui and Victor Ha Kuk Yung remain independent notwithstanding the length of their service and they believe that their valuable knowledge and experience in the Group's business and their external experience continue to generate significant contribution to the Company and its shareholders as a whole.

Under the Company's Articles of Association (the "Articles"), 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/employment contract (as applicable) with the Group setting out the key terms and conditions of their respective appointment as Directors of the Company and/or executive role in the Group.

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 annual results. Management provides the Directors with management updates of the Group's operation, performance and position. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Legal and regulatory updates are provided to the Directors from time to time for their information so as to keep them abreast of the latest rule requirements and assist them in fulfilling their responsibilities. The Company Secretary may advise the Directors on queries raised or issues which arise in performance of their duties as directors. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request.

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



## Corporate Governance Report *(continued)*

### BOARD OF DIRECTORS *(continued)*

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Ten 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 present.

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

Directors	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting*
<b>Executive Directors</b>					
Dr. Stephen Riady ( <i>Chairman</i> )	4/10	N/A	2/2	2/2	1/1
Mr. John Luen Wai Lee ( <i>Managing Director and Chief Executive Officer</i> )	10/10	N/A	N/A	N/A	1/1
<b>Non-executive Directors</b>					
Mr. Jark Pui Lee	8/10	N/A	N/A	N/A	1/1
Mr. Leon Nim Leung Chan	9/10	3/3	2/2	2/2	1/1
<b>Independent Non-executive Directors</b>					
Mr. Victor Ha Kuk Yung ( <i>Chairman of the Audit Committee</i> )	10/10	3/3	2/2	2/2	1/1
Mr. King Fai Tsui ( <i>Chairman of the Remuneration Committee and Nomination Committee</i> )	10/10	3/3	2/2	2/2	1/1
Mr. Edwin Neo	9/10	3/3	2/2	2/2	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").





## Corporate Governance Report *(continued)*

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

### NON-EXECUTIVE DIRECTORS

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

### REMUNERATION OF DIRECTORS

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

The principal role of the Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration packages of individual Directors and senior staff, 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.

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

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



## Corporate Governance Report *(continued)*

### NOMINATION OF DIRECTORS

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

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

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

Majority of the Committee members are non-executive Directors and three of them are independent. The Nomination Committee currently comprises five members including three independent non-executive Directors, namely, Messrs. King Fai Tsui (being the Chairman of the Nomination Committee), Edwin Neo and Victor Ha Kuk Yung, a non-executive Director, namely Mr. Leon Nim Leung Chan and an executive Director, namely Dr. Stephen Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. 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 Company's Articles. The procedures for such proposal are published on the Company's website ([www.lippold.com.hk](http://www.lippold.com.hk)).



## Corporate Governance Report *(continued)*

### DIRECTORS' TIME COMMITMENT AND TRAINING

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. Directors are encouraged to participate in professional, public and community organisations. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information. In respect of those Directors who would stand for re-election at the 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 Directors are set out in the brief biographical details of the Directors and senior management on pages 20 to 22.

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, director's duties, corporate governance and regulatory updates. Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

- (1) participation in continuous professional training seminars and/or conferences and/or courses and/or workshops on subjects relating to, inter alia, corporate governance, directors' duties and legal and regulatory changes organised and/or arranged by the Company and/or professional bodies and/or lawyers;
- (2) reading materials provided from time to time by the Company to 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.



## Corporate Governance Report *(continued)*

### DIRECTORS' TIME COMMITMENT AND TRAINING *(continued)*

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

Directors	Training received
<b>Executive Directors</b>	
Dr. Stephen Riady ( <i>Chairman</i> )	(1), (2) and (3)
Mr. John Luen Wai Lee ( <i>Managing Director and Chief Executive Officer</i> )	(1), (2) and (3)
<b>Non-executive Directors</b>	
Mr. Jark Pui Lee	(1), (2) and (3)
Mr. Leon Nim Leung Chan	(1), (2) and (3)
<b>Independent Non-executive Directors</b>	
Mr. Edwin Neo	(1), (2) and (3)
Mr. King Fai Tsui	(1), (2) and (3)
Mr. Victor Ha Kuk Yung	(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.

### AUDITOR'S REMUNERATION

Ernst & Young has been appointed by the shareholders annually as the Company's auditor. During the Year, the fees charged to the financial statements of the Group for the statutory audit and non-statutory audit services provided by Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditor nationally and internationally) amounted to approximately HK\$9.8 million (2017 — HK\$10.5 million) and approximately HK\$0.6 million (2017 — HK\$1.7 million), respectively. The non-statutory audit services provided during the Year consisted of the review of the Group's continuing connected transactions and other reporting services.



## Corporate Governance Report *(continued)*

### AUDIT COMMITTEE

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

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

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, control and risk management matters of the Group, and making recommendations to the Board including, inter alia, financial-related matters. The Audit Committee reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report, the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements and the code of conduct applicable to employees and Directors. The Audit Committee also recommended to the Board that, subject to the shareholders' approval at the 2018 AGM, Ernst & Young be re-appointed as the Company's external auditor for the ensuing year; and reviewed the fees charged by the Company's external auditor.



## Corporate Governance Report *(continued)*

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

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 48 to 58. Such review will be conducted on an annual basis.

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the "Inside Information") of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A Whistleblowing Policy 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 function as well as its accounting and financial reporting function, and their training programmes and budgets. The review will be conducted annually in accordance with the requirements of the CG Code.

### INTERNAL AUDIT

The IA Department was set up in 2007 to perform internal audit and to review the internal control and risk management 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 an employee of the Company. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. During the Year, the Company Secretary had taken over 15 hours of relevant professional training to update his skills and knowledge.



## 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 Board committee members, and the Company's external auditor attended the 2017 AGM and were available to answer questions from shareholders.

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

To provide effective communication, the Company maintains a website at [www.lippold.com.hk](http://www.lippold.com.hk). All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices and Articles are available on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's Registrar, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or contact the Customer Service Hotline of the Company's Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the registered office of the Company.

### SHAREHOLDERS' RIGHTS

Under Section 566 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at [lippo.ir@lippohk.com](mailto:lippo.ir@lippohk.com). Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at [lippo.ir@lippohk.com](mailto:lippo.ir@lippohk.com).





## Corporate Governance Report *(continued)*

### FAIR DISCLOSURE AND INVESTOR RELATIONS

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

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

During the Year, no amendments were made to the Company's Articles. The latest version of the Company's Articles is available on the Company's website ([www.lippoltd.com.hk](http://www.lippoltd.com.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

### FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 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 continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditor is responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 80 to 85.

### CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time.



# 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 ended 31 March 2018 (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:

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



## Risk Management Report *(continued)*

### RISK MANAGEMENT STRATEGY *(continued)*

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 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.



## Risk Management Report *(continued)*

### RISK GOVERNANCE STRUCTURE *(continued)*

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

#### Board Oversight

##### The Board of Directors (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 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 Management Report *(continued)*

### RISK GOVERNANCE STRUCTURE *(continued)*

#### 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 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

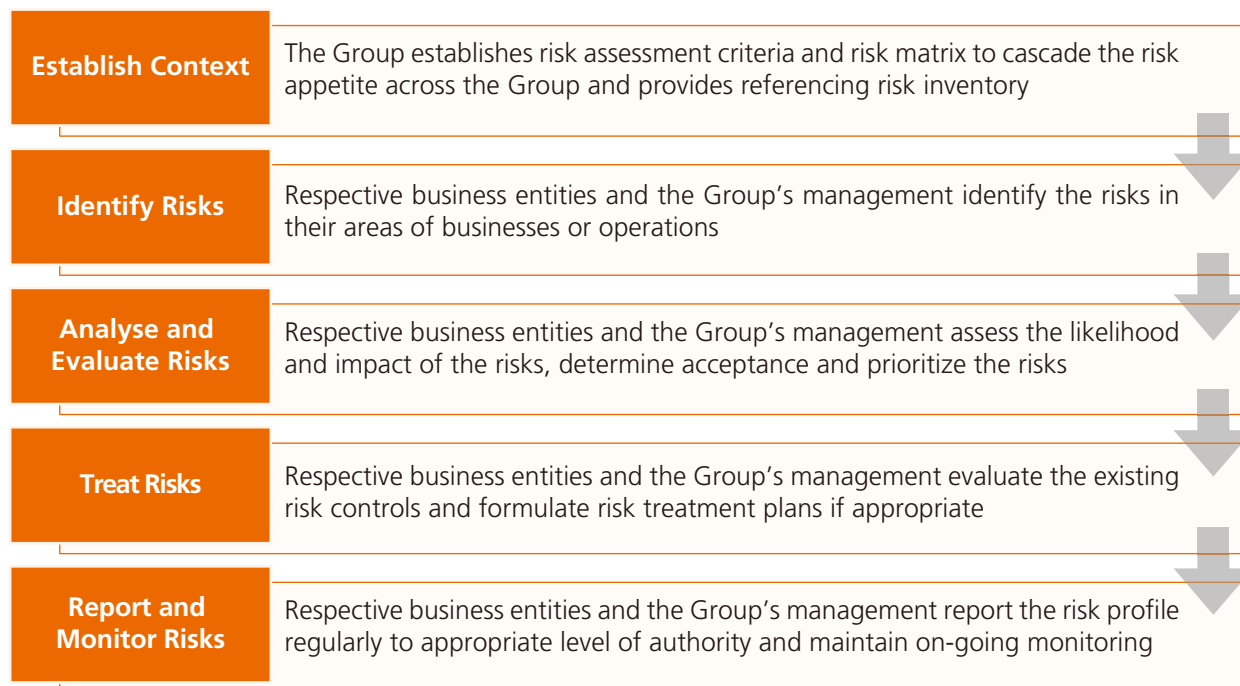
- Conduct audit projects on various entities and functions across the Group and provide independent review on (a) the adequacy and effectiveness of the risk management framework; and (b) the adequacy and effectiveness of internal controls in the business operations



## Risk Management Report *(continued)*

### 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.



### 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 Report *(continued)*

### CONTINUOUS IMPROVEMENT *(continued)*

Component	Enhancement
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:

<b>Strategic</b>	– 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.
<b>Operational</b>	– Risk of potential financial losses and/or business instability arising from failures in internal controls, operational processes, or in the system that supports them.
<b>Financial</b>	– Risk resulting from financial and reporting activities and/or use of financial instruments.
<b>Compliance</b>	– 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 and Operations

Risks	Examples of Response Taken	Risk Trend
<p><b>Strategic</b> – <b>Direction and Execution Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Periodic planning exercises between the Group’s management and entities’ responsible officers to discuss and analyse their strategic directions</li> <li>• Regular meetings amongst Board members and senior management to review the execution of strategic plan</li> <li>• Proactive environmental strategies on various business markets</li> </ul>	
<p><b>Strategic</b> – <b>Investment Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Adequate risk assessment in the investment decision process</li> <li>• Setting up of investment committee and authority matrix for the approval of investments</li> <li>• Well-diversified investment portfolio across different industries and geographic locations</li> <li>• Certain limits set for specific types of investment</li> <li>• Regular Board review on the progress and performance of the investments</li> </ul>	
<p><b>Strategic</b> – <b>Partnering Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Negotiation of agreements to clearly define the governance structure, rights, roles and responsibilities of different parties.</li> <li>• Enhanced due diligence before entering into partnership</li> <li>• Development of exit strategy</li> <li>• Regular review and monitoring of joint venture status</li> </ul>	

## Risk Management Report *(continued)*

### MATERIAL RISKS *(continued)*




#### B. Food Businesses

Risks	Examples of Response Taken	Risk Trend
<p><b>Strategic</b> – <b>Competitor Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Periodic monitoring and discussion on market conditions</li> <li>• Competitive pricing and provision of value added services</li> <li>• Setting and periodic evaluation of marketing plans and campaigns</li> <li>• Continuous product or service development and improvement</li> </ul>	
<p><b>Operational</b> – <b>Quality and Safety Risk</b></p> <p>The risk of sub-standard or unsafe product, service or business activity, thereby impacting the Group's reputation, or exposing the Group to regulatory/legal actions.</p>	<ul style="list-style-type: none"> <li>• Food safety and quality management system in place throughout the supply chain</li> <li>• Established supplier assessment process</li> <li>• Temperature monitoring for food storage</li> <li>• Staff training on product safety and operation</li> <li>• Equipment maintenance and cleaning program and pest control</li> <li>• Quality assurance against receiving, storing, production etc.</li> <li>• Established product recall procedure</li> </ul>	
<p><b>Operational</b> – <b>Disaster Risk</b></p> <p>The risk of a major disaster (such as fire, natural disaster, equipment breakdown, power disruption and sudden supply shortage) interrupting operation, production or service delivery, thereby impacting the Group's ability to sustain operation and/or recover operating cost.</p>	<ul style="list-style-type: none"> <li>• Periodic maintenance and stocking of spare parts for critical machines and equipment</li> <li>• Sourcing of alternative suppliers for critical materials</li> <li>• Appropriate stocking of products</li> <li>• Establish business continuity plan covering different disaster scenarios</li> <li>• Appropriate insurance coverage for different disaster scenarios</li> </ul>	

## Risk Management Report *(continued)*

### MATERIAL RISKS *(continued)*

#### C. Financial Service Business



Risks	Examples of Response Taken	Risk Trend
<p><b>Operational</b> – <b>Cyber Attack Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Established access control and virus protection</li> <li>Virtual PCs and workstations for separating vital systems from outside environment</li> <li>Daily and monthly offsite backup of data files and all system reports</li> <li>Review of the security of the systems against evolving threats</li> </ul>	
<p><b>Compliance</b> – <b>Legal/Regulatory Compliance Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Group level oversight of entities' compliance programs including the program status and progress of actions</li> <li>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.</li> <li>Regular monitoring of the regulatory changes</li> </ul>	
<p><b>Operational</b> – <b>Conversion/Integration Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Comprehensive review of vendor access control to the systems and applicable features before any system adoption</li> <li>Formation of committee comprising management, IT and representatives from affected functions to oversee project and gather user requirements</li> <li>User acceptance testing and parallel run of new and old systems before full implementation</li> </ul>	



## Risk Management Report *(continued)*

### MATERIAL RISKS *(continued)*

#### D. Property Investment, Property Development and Management Services

Risks	Examples of Response Taken	Risk Trend
<p><b>Operational</b> – <b>Work Safety Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Provision of personal protective equipment, such as masks, gloves and safety shoes</li> <li>• Provision of first aid tools</li> <li>• Insurance coverage on labour accidents</li> <li>• Safety induction and reinforcement in weekly meeting</li> <li>• Established guidelines on handling of safety incidents</li> </ul>	
<p><b>Strategic</b> – <b>Competitor Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Sourcing of more appropriate leasing agents</li> <li>• Adjustment of commission to motivate leasing agents</li> <li>• Taking aggressive measures to expedite leasing</li> </ul>	
<p><b>Operational</b> – <b>Non-natural Disaster Risk</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Established emergency plan for power disruption</li> <li>• Regular preventive maintenance</li> </ul>	



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.



# Environmental, Social and Governance Report

## ABOUT THIS REPORT

This report captures the performance of the Company and its subsidiaries (together, the “Group”) in the environmental, social and governance (“ESG”) aspects for the year ended 31 March 2018 (the “Year”) (the “ESG Report”). By reporting the policies, measures and performances of the Group in ESG aspects, it allows all stakeholders to better understand the progress of the Group towards sustainability.

## Reporting Boundary

The ESG Report focuses on the operation of the Company’s head office in Hong Kong and its subsidiaries in food businesses, property development, property investment and property management, and corporate finance and securities broking for the Year. While the ESG Report does not cover all of the Group’s operations, the aim of the Group is to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure.

Segments	Subsidiaries covered in the reporting boundary
Food businesses	Auric Pacific Group Limited (“Auric”) Auric Marketing Sdn. Bhd. (“Auric Marketing”) Auric Pacific Food Industries Pte. Ltd. – Sunshine Bakeries (“Sunshine Bakeries”) Auric Pacific Food Processing Sdn. Bhd. (“Auric Pacific Food Processing”) Auric Pacific Marketing Pte. Ltd. Delifrance (HK) Limited (“Delifrance HK”) Delifrance (Singapore) Pte. Ltd. (“Delifrance Singapore”) Food Junction Holdings Limited (“Food Junction”) LCR Catering Services Limited
Property development, property investment and property management	北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.) 成都力寶置業有限公司 (Chengdu Lippo Realty Limited) Fairseas 1 Pte. Ltd. (“Fairseas”) 福建莆田忠信物業管理有限公司 (Fujian Putian Zhong Xin Property Management Limited) (“Fujian Putian”) 福州力寶商業顧問有限公司 (Fuzhou Lippo Commercial Consultants Limited) One Realty Pte. Limited (“One Realty”)
Corporate finance and securities broking	Lippo Investments Management Limited (“Lippo Investments”) Lippo Securities Holdings Limited (“LSHL”, together with its subsidiaries, the “LSHL Group”)
Management services	北京力寶商業顧問有限公司 (Beijing Lippo Commercial Consultants Limited) (“Beijing Lippo”) HCL Management Limited LCR Management Limited (“LCR Management”)



## Environmental, Social and Governance Report *(continued)*

### ABOUT THIS REPORT *(continued)*

#### Reporting Standard

The ESG Report was 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The reporting principles of “Materiality”, “Quantitative”, “Balance” and “Consistency” form the backbone of the ESG Report. Selected key performance indicators that are categorised by the ESG Reporting Guide as “recommended disclosures” for enhanced reporting are included in the Report. The ESG Reporting Guide Content Index is inserted at the back of the ESG Report for easy reference.

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

#### Confirmation and Approval

Information in the ESG Report was sourced from the official documents, statistical data and management and operational information of and collected by the Group. The ESG Report was approved by the Board of Directors of the Company (the “Board”) on 27 June 2018.

#### Opinion and Feedback

The Group values the opinion of stakeholders. If any stakeholder has any feedback or suggestions on the ESG Report, please send them to the registered office of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong or the Company’s email address at [lippo.ir@lippohk.com](mailto:lippo.ir@lippohk.com). Your feedback or suggestions would greatly help the Group continuously improve its sustainable performance.





## Environmental, Social and Governance Report *(continued)*

### STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

As a key in the business management of the Group, stakeholder<sup>1</sup> participation helps the Group review potential risks and business opportunities. Communicating 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 opportunities to learn about the Group’s development and operation directions and enables the Group to listen to them in order to identify the priority issues and develop corresponding policies.

#### Main Means of Stakeholder Engagement



Regarding the materiality analysis, the Group commissioned the professional consultant to carry out stakeholder engagement. To understand the Group’s vision and goals in sustainability, an in-depth interview was conducted with the management. It was followed by a survey for both internal and external stakeholders and a total of 250 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 ESG aspects to be the material focus of the ESG Report.

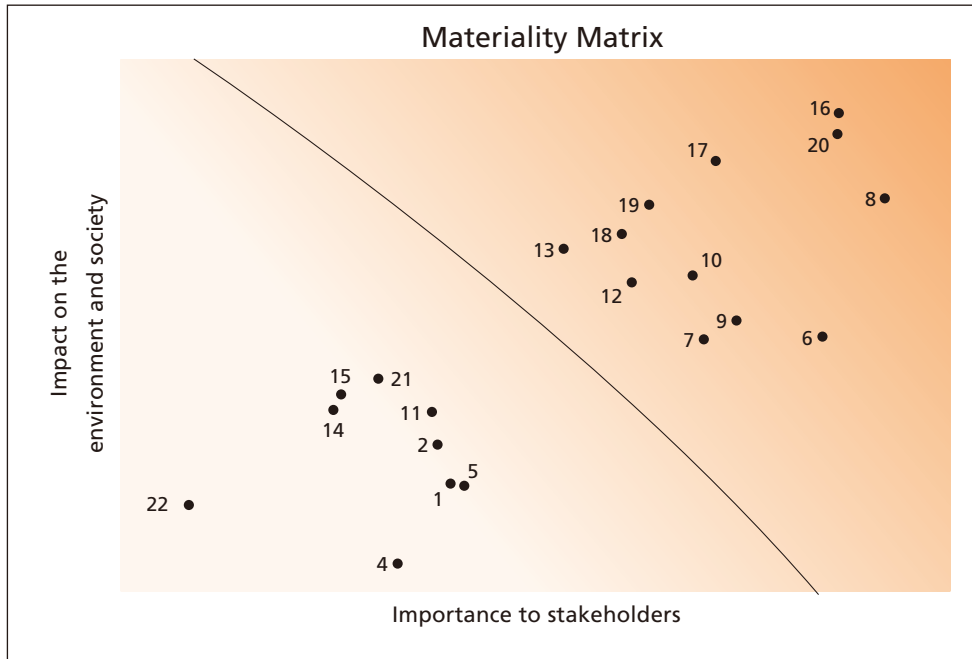
<sup>1</sup> Stakeholders refer to groups or individuals materially influenced or affected by the Group’s business. Internal stakeholders include the Board, management and general staff. External stakeholders include investors, shareholders, suppliers, business partners, auditors, customers, service providers and bankers.



## Environmental, Social and Governance Report *(continued)*

### STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

#### Main Means of Stakeholder Engagement *(continued)*



Number <sup>2</sup>	Identified Material Issues
16	Customer information and privacy
20	Bribery, extortion, fraud and money laundering
8	A safe and healthy working environment
17	Quality management and after-sales service
6	Employment management system
19	Intellectual property rights
10	Discrimination, employee diversity and equal opportunities
9	Training and development
18	Fair and responsible marketing communication and information
7	Employer-employee relations
12	Child labour and forced labour
13	Fair treatment of all business partners

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. The Group will consider the possibility of strengthening its interaction with stakeholders to create mutually beneficial relationships.

<sup>2</sup> Please see the above materiality matrix. The issues considered to be material to the Group are shown in the top right hand side of the above graph.



## Environmental, Social and Governance Report *(continued)*

### OPERATING PRACTICES

#### Product Responsibility

Sustainability is a way of life embraced by today's consumers. To respond to the increasing attention from consumers, the Group acknowledges its environmental and social responsibility in delivering its products and services. During the Year, the Group established the Product and Service Responsibility Policy which defines the Group's commitment with regards to the safety and quality of its products and services, customer concerns and feedback, product recall, advertising and labelling, as well as protection of customers' data privacy and intellectual property.

#### *Safety and quality management*

##### Food businesses

The Group regards food safety and customer satisfaction as the major factors of quality in its food businesses. The Group's food businesses such as Sunshine Bakeries and Auric Pacific Food Processing have adopted a number of management systems for comprehensive safety and quality management. These systems enable the Group to establish various control points throughout its production chain, including monitoring the storage, handling and processing of products, establishing staff and facility hygiene standards etc. The Group also conducts on-going monitoring and regular review of suppliers to ensure the safety and quality of their supplies.

#### Management systems adopted by the Group's food businesses



During the Year, there were two cases of non-compliance relating to the implementation of GMPs with foreign materials found in bread products, resulting in a total fine of approximately HK\$4,700 by relevant authorities. The subsidiary concerned has thereafter improved its safety practices and conducted internal training as improvement measures.

#### Corporate finance and securities broking

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.

#### Property investment and property development

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 considered as material issues for this business segment.



## Environmental, Social and Governance Report *(continued)*

### OPERATING PRACTICES *(continued)*

#### Product Responsibility *(continued)*

##### *Customer satisfaction*

The Group strives to maintain customer satisfaction and foster mutually beneficial relationships by providing quality and reliable services. Customer satisfaction surveys are conducted regularly to solicit customer feedback. For example, Sunshine Bakeries' customer survey collects feedback from customers and business partners regarding service level, response time, promotional activities, and products. During the Year, Sunshine Bakeries received an average score of 90 out of 100 from the 140 survey responses it received. In addition, the Group has in place a grievance mechanism to handle customer complaints. A robust procedure is in place to adequately address customer concerns and to carry out corrective and preventive measures.

##### *Product recall*

A product recall procedure is included as part of the Group's quality assurance management. To ensure effective operation of the recall procedure, subsidiaries such as Sunshine Bakeries have set up a product recall committee that comprises staff of different expertise from operations, sales, quality assurance to production etc. Mock recalls are also carried out annually to test the readiness and effectiveness of control procedures.

##### *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 on products and services to customers, and promoting and advertising products and services not misleading consumers. The Group ensures that the products and services it offered are in accordance with applicable laws and regulations and industry practices.

##### *Customers' data privacy and intellectual property*

The Group also acknowledges the importance of protecting customers' data privacy. In the Group's Product and Service Responsibility Policy, employees are required to follow its guiding principles and to comply with applicable laws and regulations to protect customers' data privacy and respect other persons' intellectual property. For subsidiaries such as Delifrance HK that maintain customer membership systems, security measures are in place to ensure customers' data is protected and can only be accessed by authorized employees.

#### Anti-corruption

##### *Code of conduct*

Integrity is the foundation of business continuity. Therefore, it is the Group's aim to cultivate a corporate culture of integrity in dealing with suppliers and customers. The Group has established the Anti-Corruption Policy which sets out the basic standard of conduct expected of for all Directors and staff with guidance on acceptance of advantage and handling of conflict of interest. The Group prohibits all forms of bribery and corruption. 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.

During the Year, the Group did not identify any non-compliance cases with laws and regulations regarding corruption. The Group did not identify any concluded legal cases regarding corrupt practices brought against the Group or its employees.



## Environmental, Social and Governance Report *(continued)*

### OPERATING PRACTICES *(continued)*

#### Anti-corruption *(continued)*

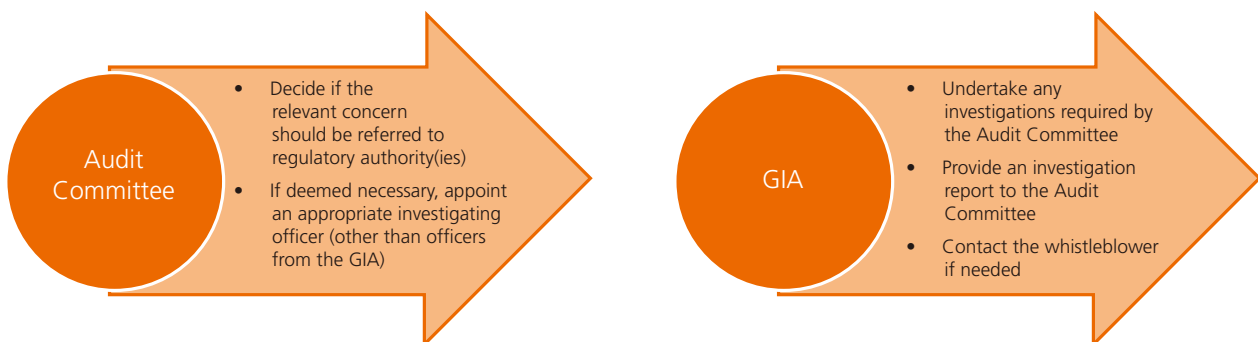
##### Whistleblowing Policy

According to the Group's Whistleblowing Policy, a whistleblower can report any suspect misconduct, malpractice or irregularity to his/her managers 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 of the Company (as the case may be). The Audit Committee of the Company 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.

#### Whistleblowing Policy: Foundation and Rationale

1. Provide reporting channels and guidance on whistleblowing for employees and third parties to express concerns, rather than neglect them;
2. Promote accountability and disclosure with respect to the Group's accounting, internal controls and auditing matters; and
3. Address misconduct and malpractice as early as possible.

#### Investigation Procedures



## Environmental, Social and Governance Report *(continued)*

### OPERATING PRACTICES *(continued)*

#### Supply Chain Management

It is the Group’s goal that all partners along the supply chain could conform to a responsible level of ESG performance and reduce their environmental and social risks in the supply chain. To emphasise the importance of sustainable supply chain management, the Group has established the Sustainable Supply Chain Policy during the Year to provide guidance on the operations of the Group in relation to environmental and social aspects.

#### *Supplier selection and monitoring*

The Group takes multiple factors into consideration for the selection of its suppliers. Where feasible, the Group will consider small firms, voluntary, community services, ethnic minority organisations and/or social enterprises when selecting potential suppliers. According to the Sustainable Supply Chain Policy, the factors of supplier selection include:



For effective management, the Group conducts regular monitoring and review of its suppliers. The Group avoids any business dealings with suppliers that repeatedly violate laws regarding workplace health and safety, as well as environmental laws in aspects including conservation, emission, water management, waste management, noise control etc.

The Group believes that sustainability can only be achieved through concerted efforts. Therefore, the Group actively solicits the support of partners in the supply chain in raising the overall environmental and social performances of the industry. In the long run, the Group will continue to promote values of sustainability to its suppliers.



## Environmental, Social and Governance Report *(continued)*

### EMPLOYMENT AND LABOUR PRACTICES

#### Health and Safety

The health and well-being of employees is fundamental to the stable growth of the Group. As established in its Human Resources Policy, the Group dedicates itself to creating a healthy and safe working environment for all employees and protecting them from occupational hazards.

#### *Food businesses*

Health and safety committees have been set up in various subsidiaries in the Group's food businesses. The committees conduct risk assessments to identify the risk level of different tasks. Employees in contact with machines and chemicals are among the positions that are exposed to higher risks. To mitigate risks, the Group has prepared safety guidelines providing instructions on common occupational hazards. To prepare for fire emergencies, fire safety committees in the Group's food businesses conduct regular checking of fire systems, organise fire drills and provide employees with proper training on the use of firefighting equipment and on incident management.

Chemical safety plays an important role in food businesses. For example, at Delifrance HK, chemical application requirements are established in the Occupational Health and Safety Manual. The requirements stipulate the necessary and proper protection equipment for using chemicals and labelling requirements for chemicals or detergents. At Sunshine Bakeries, health and safety training including chemical spillage control training is also conducted.

#### Delifrance HK's chemical safety management

Identified major chemicals used: cleaning agents for cooking equipment and restaurant environment; disinfectants for food processing etc.

Established the Occupational Health and Safety Manual

Provide guidance to employees on handling of chemicals

Provide personal protective equipment

The Group has established communication channels to encourage employees to provide health and safety improvement suggestions. Medical insurance programmes are provided to employees of the Group.

#### *Property development, property investment and property management business*

For the property development, property investment and property management business, the Group also provides personal protective equipment and first aid kits on site. A special accident handling guideline is in place in the engineering department for treatment of electric shocks, strong acid and alkali injury; while the security department or cleaning department are provided with guideline for heat stroke and syncope emergency treatment.

#### *Employee safety*

The Group regrets that there were 32 cases of minor work related injuries during the Year across the 20 subsidiaries covered in the reporting boundary. The injuries were caused from incidents such as tripping on staircases and operation of machines without adequate protection. The Group has conducted investigations and implemented preventive measures, such as improving safety guards, reviewing risk assessments and communicating with employees regarding such measures to prevent reoccurrence.





## Environmental, Social and Governance Report *(continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### Employee Well-being

The Group is dedicated to creating a motivated, diverse, impartial, harmonious and safe working environment. During the Year, the Group has established the Human Resources Policy (the "Policy"). Various employment policies and procedures specific to its business nature have also been adopted, covering recruitment, dismissal, working hours, compensation and benefits etc.

Equal opportunities of employment are at the core of the Policy. Discrimination on the basis of age, gender, marital status, pregnancy, sexual orientation, family status, disability, political opinion, race, nationality or religion are prohibited. Decisions to dismiss employees must be justified with valid reasons. Compensation should be made to the employee(s) in compliance with applicable laws and regulations 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. 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.

Delifrance HK conducted a staff survey led by its General Manager Office during the Year. Survey results indicated staff's appreciation for the activities organized by management that welcomed family members' participation. The General Manager Office shares feedback from employees anonymously to related parties for follow-up by various means, such as daily communication, weekly staff bulletins, monthly restaurant manager meetings and annual review of feedback. The Group did not receive any employee grievances during the Year.

#### *Welfare for employees*

The Group believes that diversified welfare measures and employee activities can enhance employees' sense of belonging and improve their well-being. To retain and motivate employees, the Group offers attractive remuneration package along with various benefits higher than the statutory requirements, such as paid marriage leave, medical and compassionate leave, generous annual leave, healthcare insurance and retirement benefits. In addition to festive celebrations, in subsidiaries such as Fujian Putian, gift certificates are provided for staff at memorable events. Delifrance HK conducted a team building workshop involving store-in-charge managers and head office employees.

#### Development and Training

The Group's Human Resources Policy includes directions for the provision of training for employees. By providing broad training opportunities to and investing in employees, the Group encourages them to advance in their careers.

#### *Training*

To enhance the quality of training provided, the Group's management is responsible for coaching their subordinates and identifying their development needs. Performance appraisal is conducted annually to review employees' performance and at the same time to identify the training needs. By nurturing a culture of continuous self-improvement, the Group hopes to create a motivated and energetic team that never stops learning. The relevant divisions and departments would set aside a budget for employees to attend training and development courses. The Group also provides continuous professional training for the Directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.



## Environmental, Social and Governance Report *(continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### Development and Training *(continued)*

##### *Training (continued)*

To cultivate the self-directed learning culture, the Group provides employees with continuous learning and development opportunities through financial subsidies or sponsorship so that they can prepare themselves better for personal growth and future career development.

##### *Career advancement*

The Group believes that a transparent and clear career ladder could positively boost staff's level of engagement and enthusiasm. The Group has established fair standards as the basis 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 could most effectively communicate its expectations and comments for employees to make improvement accordingly.

#### Labour Standards

The Group is committed to maintaining ethical labour standards applicable to the Group as well as fulfilling legal and moral obligations under applicable laws, regulations and practices in its operating locations. Throughout its operation, the Group has implemented effective preventive systems and measures to prohibit any form of child labour and forced labour. The Human Resources Policy has outlined detailed procedures of the employment process for this purpose, including assessment of academic qualifications, talent, age and experience.

During the Year, the Group did not identify any non-compliance cases relating to health and safety, employment, child labour and forced labour.

### PROTECTING THE ENVIRONMENT

Sustainability thinking and environmental awareness are gaining momentum in the business world and are directly related to the interests of the communities where the Group operates. By adopting the Environmental Policy, the Group pledges to uphold environmentally responsible business practices. The Policy addresses material environmental risks faced by the Group and how the Group responds to sustainability challenges in ESG aspects and seize new business opportunities that arise.

#### 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 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. Both Sunshine Bakeries and the Head Office of the Company have achieved 100% LED lighting. In addition, the Group has adopted lighting control sensor in its new headquarters office.



## Environmental, Social and Governance Report *(continued)*

### PROTECTING THE ENVIRONMENT *(continued)*

#### Emissions *(continued)*

##### Waste reduction initiatives in food businesses

Delifrance HK contributes to the promotion of environmental-friendly initiatives in the food industry. During the Year, Delifrance HK has launched a 'Go Green' project and released an eco wrap with the cartoon character McDull to encourage customers to reuse this eco wrap for future purchases instead of using plastic bags. It has also carried out a 'No Straws on Monday' initiative to invite their customers to reduce the use of plastic straws. Cultivating awareness and encouraging behavioural changes among staff is just as significant for the Group. In this regard, Delifrance HK provides biannual environmental training to restaurant managers.

In addition, Sunshine Bakeries reduces waste by focusing on its production process. During the Year, it has conducted sales forecasts that helped draw production estimates and reduce the return of excess products from the market. Standardization of process control also took place to maintain consistency in product quality, reducing waste from defective products at production.

##### Air emissions

Type	Quantity (kg) <sup>3</sup>
Nitrogen oxides	272.8
Sulphur oxides	1.3
Respiratory suspended particles	26.4

##### GHG emissions

The Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Public Building Operator Units (Enterprises) (Trial) of the People's Republic of China (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 GHG emissions.

Scope	Emissions (tonnes of CO <sub>2</sub> -e) <sup>4</sup>
Scope 1: Direct GHG emissions	4,100.2
Scope 2: Energy indirect GHG emissions	12,406.5
Scope 3: Other indirect GHG emissions	128.5
<b>Total GHG emissions</b>	<b>16,635.2</b>
<b>GHG intensity (tonnes of CO<sub>2</sub>-e / m<sup>2</sup>)</b>	<b>0.24</b>
<b>GHG intensity (tonnes of CO<sub>2</sub>-e / HK\$1 million revenue)</b>	<b>6.62</b>

<sup>3</sup> Excluding Delifrance Singapore and Beijing Lippo.

<sup>4</sup> Excluding Delifrance Singapore and Beijing Lippo.

## Environmental, Social and Governance Report *(continued)*

### PROTECTING THE ENVIRONMENT *(continued)*

#### Emissions *(continued)*

##### GHG emissions *(continued)*

Scope 2, being the energy indirect GHG emissions, constitutes 74.6% of the total GHG emissions. Scope 1 and Scope 3, being the direct GHG emissions and other indirect GHG emissions, account for 24.6% and 0.8% of the total GHG emissions respectively.

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

To develop future carbon reduction plans and targets, the emission data gathered for the Year will serve a foundation for comparing with future data. In order to engage staff more efficiently in its sustainability effort, the Group will look into the feasibility of establishing a group-wide carbon reduction strategy in the future.

#### Use of Resources

The Group recognises the inherent scarcity of resources on our planet. Therefore, it obliges itself to use resources in an efficient and responsible manner. In delivering its products and services, the Group aims at using environmentally-friendly materials and equipment where feasible.

The Group uses a wide range of resources including electricity and water for daily operations, as well as fuel for vehicles and cooking equipment. For energy use<sup>5</sup>, purchased electricity is the largest type of energy end-use.



<sup>5</sup> Excluding Delifrance Singapore and Beijing Lippo.



## Environmental, Social and Governance Report *(continued)*

### PROTECTING THE ENVIRONMENT *(continued)*

#### Use of Resources *(continued)*

To reduce consumption of resources, different subsidiaries have implemented various measures:

Resource	Highlights of measures
Water	<ul style="list-style-type: none"> <li>– Water saving taps are installed in washrooms</li> </ul>
Energy	<ul style="list-style-type: none"> <li>– Choose air conditioners with energy efficient labels</li> <li>– Set the temperature of air conditioning to balance employee comfort and energy use</li> <li>– Implement a light schedule that limits lighting during non-business hours to conserve energy</li> <li>– Electronic documentation and electronic trading are adopted for corporate finance and securities business</li> <li>– Utilise the sleep mode setting and turn off lights, appliances and equipment (computers, monitors, printers etc.) when not in use</li> </ul>
Paper	<ul style="list-style-type: none"> <li>– Replace personal desktop printers with centralised printing systems</li> <li>– Use recycled paper</li> <li>– Use paper with Forest Stewardship Council (“FSC”) certification</li> <li>– Adopt double-sided printing</li> </ul>
Packaging	<ul style="list-style-type: none"> <li>– Encourage customers to use their own bags before offering plastic bags</li> <li>– Use FSC-certified packaging materials</li> <li>– Use biodegradable packaging and garbage bags</li> </ul>

Forest Stewardship Council (“FSC”) is an international non-profit, multi-stakeholder organisation that promotes responsible management of the world’s forests. The FSC sets standards on forest products, along with certifying and labelling them as eco-friendly. All paper used by the head office of the Group in the reporting year is FSC-certified.



## Environmental, Social and Governance Report *(continued)*

### PROTECTING THE ENVIRONMENT *(continued)*

#### Use of Resources *(continued)*

##### Delifrance HK's 'Go Green' actions

Delifrance HK has adopted various paper-saving measures, such as reviewing departmental paper consumption, double-sided printing, using e-communication whenever possible, as well as seeking suggestions on environmental-friendly actions from stores. The company-wide paper usage in the reporting year has reduced 24.5% in comparison to 2016.

The data on use of resources is set out in Key Performance Indicators section below.

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

#### The Environment and Natural Resources

The Group understands that, in order to generate long-term values for stakeholders and the community, it is important to minimise the environmental risks across its operations and take reasonable actions to mitigate risks to the environment and natural resources.

The Group acknowledges its environmental impact and recognises the importance of proper management. For example, as the oldest bakery in Singapore, Sunshine Bakeries has received the ISO 14001 certification in environmental management system since 2000 and will continue to maintain its management system to receive the latest ISO 14001 certification. In addition, to prevent wastewater from polluting the environment, both Sunshine Bakeries and Auric Pacific Food Processing have established measures such as treating wastewater before discharge, monitoring pollutant levels and employing third-party labs for pollutant analysis.

During the Year, the Group did not identify any non-compliance cases relating to environmental laws and regulations.

Moving forward, the Group will cultivate awareness and encourage behavioural changes among staff to minimise the environmental risks across its operations.



## Environmental, Social and Governance Report *(continued)*

### INVESTING IN SOCIETY

Rooted in the community, the Group seeks to understand and fulfil the needs of various stakeholders and the communities where it operates. To effectively manage its investment in society, the Group has in place the Donation Policy to determine the focus areas of charitable efforts. To improve the development and livelihood of the communities, the Group invests efforts in areas such as education, culture, sickness and disability relief, poverty alleviation, disaster aid and religious pursuit.

During the Year, the Group has donated a total of approximately HK\$26,000,000 for various charity initiatives. In addition to monetary contributions, subsidiaries such as Sunshine Bakeries has donated 70 tonnes of bread to the local community.

In future, the Group will continue its community engagement and will make use of its expertise in community investment initiatives.

### KEY PERFORMANCE INDICATORS

#### Environmental Performance<sup>6</sup>

Type		Emissions (kg)
Air emissions	Nitrogen oxides	272.8
	Sulphur oxides	1.3
	Respiratory suspended particles	26.4

Scope		Emissions (tonnes of CO <sub>2</sub> -e)
GHG emissions	Scope 1: Direct emissions	4,100.2
	Scope 2: Energy indirect emissions	12,406.5
	Scope 3: Other indirect emissions	128.5
	GHG emissions in total (Scope 1, 2 and 3)	16,635.2
	GHG intensity (tonnes of CO <sub>2</sub> -e / m <sup>2</sup> )	0.24
	GHG intensity (tonnes of CO <sub>2</sub> -e / HK\$1 million revenue)	6.62

Type	Amount	Waste intensity
Waste	Hazardous waste <sup>7</sup>	0.25 tonnes
	Non-hazardous waste <sup>8</sup>	5,110.4 tonnes
		0.06 tonnes / employee
		0.11 tonnes / m <sub>2</sub>

<sup>6</sup> Excluding Delifrance Singapore and Beijing Lippo.

<sup>7</sup> Including Fairseas only.

<sup>8</sup> Excluding Auric, Auric Marketing, Food Junction, One Realty, Fairseas, LSHL and Lippo Investments.

## Environmental, Social and Governance Report *(continued)*

### KEY PERFORMANCE INDICATORS *(continued)*

#### Environmental Performance<sup>6</sup> *(continued)*

Resources	Type	Amount of consumption	
Energy consumption	Direct energy	Petrol (GJ)	909
		Diesel (GJ)	51,101
		Towngas (GJ)	3,183
	Indirect energy	Electricity (MWh)	25,344,912
		Total energy consumption (GJ)	91,296,877
		Energy intensity (GJ / m <sup>2</sup> )	1,304
		Energy intensity (GJ / HK\$1 million revenue)	36,310
Water consumption	Total water consumption (m <sup>3</sup> )	304,987	
	Water intensity (m <sup>3</sup> / m <sup>2</sup> )	4.6	
Packaging material	Total packaging material used (tonnes)	619	
	Packaging material intensity (tonnes / HK\$1 million revenue)	0.26	

#### Social Performance<sup>9</sup>

Number of employees	Region	Gender	Below 30	30-50	Above 50	Management	Other employees	Subtotal	Total workforce	Workforce ratio by gender (male to female)
										1.1:1
Number of employees	Hong Kong	Male	78	77	50	20	185	205	1,781	1.1:1
		Female	78	150	108	9	327	336		
	Singapore	Male	161	284	129	35	539	574		
		Female	103	156	138	29	368	397		
	PRC	Male	0	27	14	12	29	41		
		Female	0	24	8	4	28	32		
	Malaysia	Male	27	56	13	11	85	96		
		Female	28	65	7	14	86	100		

Work-related fatality and injury	Region	Gender	Number and rate of work-related fatalities	Number of work-related injury	Work-related injury rate (per 1,000 workforce) (by region)	Work-related injury rate (per 1,000 workforce)
					13	18
Work-related fatality and injury	Hong Kong	Male	0	1	13	18
		Female	0	6		
	Singapore	Male	0	15	25	
		Female	0	9		
	PRC	Male	0	0	0	
		Female	0	0		
	Malaysia	Male	0	0	5	
		Female	0	1		

<sup>9</sup> Including the part-time staff of Delifrance Singapore, and excluding that of PT Lippo Energy, Centurion Marketing Pte. Limited, Cuisine Creations Pte. Limited and Cuisine Continental (HK) Limited.





## Environmental, Social and Governance Report *(continued)*

### ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
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.	69-71
A1.1	The types of emissions and respective emissions data.	74
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	74
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	74
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	74
A1.5	Description of measures to mitigate emissions and results achieved.	70
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	70
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	71-73
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).	75
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	75
A2.3	Description of energy use efficiency initiatives and results achieved.	71-73
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	71-73, 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.	75

## Environmental, Social and Governance Report *(continued)*

### ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/ Remarks
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	73
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	73
<b>B. Social</b>		
<b>B1 Employment</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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.</li> </ul>	68
B1.1	Total workforce by gender, employment type, age group and geographical region.	75
<b>B2 Health and Safety</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(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.</li> </ul>	67
B2.1	Number and rate of work-related fatalities.	75
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
GRI 403-2	Injury rate (number of injuries per 1,000 employees).	75
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	68-69



## Environmental, Social and Governance Report *(continued)*

### ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/ Remarks
<b>B4 Labour Standards</b>		
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.	69
B4.1	Description of measures to review employment practices to avoid child and forced labour.	69
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	66
<b>B6 Product Responsibility</b>		
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.	63-64
B6.3	Description of practices relating to observing and protecting intellectual property rights.	63-64
B6.4	Description of quality assurance process and recall procedures.	63
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	64



## Environmental, Social and Governance Report *(continued)*

### ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Material Aspect	Content	Page Index/ Remarks
<b>B7 Anti-corruption</b>		
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.	64-65
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	64-65
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	64-65
<b>B8 Community Investment</b>		
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.	74
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	74
B8.2	Resources contributed (e.g. money or time) to the focus area.	74



# Independent Auditor's Report



## To the members of Lippo Limited

(Incorporated in Hong Kong with limited liability)

### OPINION

We have audited the consolidated financial statements of Lippo Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 208, 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 Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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



## Independent Auditor's Report *(continued)*

### KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Impairment of intangible assets</i></b></p> <p>As at 31 March 2018, the Group had intangible assets of HK\$213.2 million, which mainly represented goodwill, trademarks and trademark licence agreement (collectively, the "Intangible Assets") in the Group's food businesses segment (the "Food Business"). The Intangible Assets are subject to annual impairment test as at the end of each reporting period.</p> <p>Significant management's judgements and estimates were involved in the impairment assessment of the Intangible Assets. The determination of the recoverable amount was based on management's estimates of variables such as budgeted gross margins, growth rates and the discount rates.</p> <p>Related disclosures are included in Notes 3 and 16 to the consolidated financial statements.</p>	<p>We assessed management's identification of the cash generating units of the Food Business and their carrying amounts which form the basis for the impairment assessment model. We reviewed the discounted cash flow projections of the Food Business for the application of the valuation methodology and key valuation parameters. We also involved our internal valuation specialists to assist us in considering management's assumptions, including discount rates and growth rates. We also performed sensitivity analysis on the key assumptions used by management in the determination of the recoverable amounts.</p>



## Independent Auditor's Report *(continued)*

### KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Impairment assessment of interest in a joint venture</i></b></p> <p>The carrying amount of the Group's interests in joint ventures amounted to HK\$10,709 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.</p> <p>The carrying amount of the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"), a material joint venture of the Group, amounted to HK\$10,510 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.</p> <p>The impairment assessment of interests in LAAPL and its subsidiaries is significant to our audit due to (i) the significance of the carrying amount as at 31 March 2018; and (ii) the determination of the recoverable amount of the interest in LAAPL requires significant management's judgement and estimate.</p> <p>Related disclosures are included in Notes 3 and 21 to the consolidated financial statements.</p>	<p>We assessed management's process for identifying the objective evidence of impairment in respect of the interest in LAAPL. We evaluated management's comparison of the carrying amount and the recoverable amount of LAAPL. We evaluated and tested the assumptions and methodologies used by management in their impairment assessment. We assessed the cash flow projection of LAAPL by making reference to the historical trend analyses. For the discount rate applied to the cash flow projection, we assessed the inputs used to determine the rate with reference to market data. We involved our internal valuation specialists to assist us in testing the discount rate adopted in the cash flow projection.</p>
<p><b><i>Fair value of investment properties</i></b></p> <p>As at 31 March 2018, investment properties measured at fair values amounted to approximately HK\$880.5 million, with a corresponding net fair value gain of HK\$75.1 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties.</p> <p>Related disclosures are included in Notes 3 and 19 to the consolidated financial statements.</p>	<p>We considered the objectivity, independence and competency of the valuers. We assessed the valuation methodologies adopted and assumptions used by the valuers, and performed market value benchmarking against comparable properties. We involved our internal valuation specialists to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group.</p>



## **Independent Auditor's Report** *(continued)*

### **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

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

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

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

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 405 of the Hong Kong Companies Ordinance, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





## Independent Auditor's Report *(continued)*

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

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

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

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

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



## Independent Auditor's Report *(continued)*

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

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

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

#### **Ernst & Young**

*Certified Public Accountants*

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

27 June 2018



## Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	5	<b>2,514,404</b>	2,670,386
Cost of sales	6	<b>(1,380,354)</b>	(1,379,379)
<b>Gross profit</b>		<b>1,134,050</b>	1,291,007
Administrative expenses		<b>(748,611)</b>	(813,916)
Other operating expenses		<b>(351,287)</b>	(443,263)
Gain/(Loss) on disposal of subsidiaries	39	<b>(14,560)</b>	331,930
Gain on disposal of joint ventures	9	<b>159,576</b>	205
Net fair value gain on investment properties		<b>75,127</b>	61,620
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	6	<b>(15,561)</b>	206,978
Write-back of provision/(Provisions) for impairment losses on:			
Loans and receivables	10	<b>3,183</b>	(69,262)
Available-for-sale financial assets		<b>(23,895)</b>	(15,802)
Properties under development		<b>(143)</b>	(22,888)
Finance costs	11	<b>(66,680)</b>	(43,685)
Share of results of associates		<b>(10,132)</b>	(2,567)
Share of results of joint ventures	12	<b>133,997</b>	(12,081)
<b>Profit before tax</b>	6	<b>275,064</b>	468,276
Income tax	13	<b>(29,811)</b>	(37,251)
<b>Profit for the year</b>		<b>245,253</b>	431,025
<b>Attributable to:</b>			
Equity holders of the Company		<b>96,031</b>	255,963
Non-controlling interests		<b>149,222</b>	175,062
		<b>245,253</b>	431,025
<b>Earnings per share attributable to equity holders of the Company</b>		<b>HK\$</b>	<b>HK\$</b>
Basic and diluted	14	<b>0.19</b>	0.52



# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Profit for the year</b>		<b>245,253</b>	431,025
<b>Other comprehensive income/(loss)</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Changes in fair value		<b>19,099</b>	19,742
Adjustment for disposals		<b>(2,436)</b>	1,509
Adjustment for derecognition	20	<b>(12,919)</b>	–
Adjustment for disposal of interests in a joint venture		<b>167</b>	–
Adjustment for impairment losses		<b>–</b>	2,798
		<b>3,911</b>	24,049
Exchange differences on translation of foreign operations		<b>234,961</b>	(116,000)
Exchange differences reclassified to profit or loss upon:			
Disposal of foreign subsidiaries	39	<b>13,155</b>	(1,570)
Disposal of a foreign joint operation		<b>2,021</b>	–
Disposal of a foreign joint venture		<b>–</b>	6,613
Deemed disposal of foreign associates		<b>(1,849)</b>	353
Liquidation of foreign operations		<b>14,805</b>	–
Settlement of intercompany dividend		<b>10,054</b>	–
		<b>38,186</b>	5,396
Share of other comprehensive income/(loss) of joint ventures		<b>744,086</b>	(327,064)
Share of other comprehensive income/(loss) of associates		<b>19,362</b>	(394)
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		<b>1,040,506</b>	(414,013)
<b>Total comprehensive income for the year</b>		<b>1,285,759</b>	17,012
<b>Attributable to:</b>			
Equity holders of the Company		<b>753,250</b>	9,040
Non-controlling interests		<b>532,509</b>	7,972
		<b>1,285,759</b>	17,012



# Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Intangible assets	16	213,238	198,765
Exploration and evaluation assets	17	356	1,099
Fixed assets	18	1,072,613	219,921
Investment properties	19	880,548	1,482,131
Interests in associates	20	1,188,941	444,337
Interests in joint ventures	21	10,709,418	9,721,551
Available-for-sale financial assets	22	396,228	314,515
Debtors, prepayments and deposits	23	42,427	55,454
Other financial asset	32	48,826	21,437
Deferred tax assets	33	8,326	5,223
		<b>14,560,921</b>	12,464,433
<b>Current assets</b>			
Properties held for sale		92,433	98,983
Properties under development	24	30,580	28,846
Inventories	25	302,406	237,657
Loans and advances	26	20,833	39,239
Debtors, prepayments and deposits	23	568,044	459,388
Financial assets at fair value through profit or loss	27	1,745,628	1,037,298
Tax recoverable		7,411	3,358
Client trust bank balances		300,909	845,921
Restricted cash	28	67,032	889,489
Time deposits with original maturity of more than three months		77,812	45,434
Cash and cash equivalents		1,797,328	2,136,919
		<b>5,010,416</b>	5,822,532
Assets classified as held for sale	29	–	197,051
		<b>5,010,416</b>	6,019,583
<b>Current liabilities</b>			
Bank and other borrowings	30	722,266	1,540,467
Creditors, accruals and deposits received	31	1,552,700	1,868,528
Other financial liabilities	32	14,513	4,520
Tax payable		231,670	286,639
		<b>2,521,149</b>	3,700,154
Liabilities directly associated with assets classified as held for sale	29	–	379
		<b>2,521,149</b>	3,700,533
<b>Net current assets</b>		<b>2,489,267</b>	2,319,050
<b>Total assets less current liabilities</b>		<b>17,050,188</b>	14,783,483



## Consolidated Statement of Financial Position *(continued)*

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Non-current liabilities</b>			
Bank and other borrowings	30	1,758,594	477,928
Creditors, accruals and deposits received	31	31,816	21,066
Deferred tax liabilities	33	71,970	69,752
		<b>1,862,380</b>	568,746
<b>Net assets</b>			
		<b>15,187,808</b>	14,214,737
<b>Equity</b>			
Equity attributable to equity holders of the Company			
Share capital	34	986,598	986,598
Reserves	36	9,353,595	8,056,727
		<b>10,340,193</b>	9,043,325
Non-controlling interests		<b>4,847,615</b>	5,171,412
		<b>15,187,808</b>	14,214,737

**John Luen Wai Lee**  
Director

**Stephen Riady**  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to equity holders of the Company								Total equity
	Share capital	Special capital reserve	Investment revaluation reserve	Hedging reserve	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000 <i>(Note 36 (a))</i>	HK\$'000	HK\$'000 <i>(Note 36 (b))</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2017	986,598	1,709,202	146,520	(10,333)	(58,229)	6,269,567	9,043,325	5,171,412	14,214,737
Profit for the year	-	-	-	-	-	96,031	96,031	149,222	245,253
Other comprehensive income/(loss) for the year:									
Available-for-sale financial assets:									
Changes in fair value	-	-	13,973	-	-	-	13,973	5,126	19,099
Adjustment for disposal	-	-	(1,828)	-	-	-	(1,828)	(608)	(2,436)
Adjustment for derecognition	-	-	(9,379)	-	-	-	(9,379)	(3,540)	(12,919)
Adjustment for disposal of interests in a joint venture	-	-	110	-	-	-	110	57	167
Exchange differences on translation of foreign operations	-	-	-	-	118,980	-	118,980	115,981	234,961
Exchange differences reclassified to profit or loss upon:									
Disposal of foreign subsidiaries	-	-	-	-	9,551	-	9,551	3,604	13,155
Disposal of a foreign joint operation	-	-	-	-	1,467	-	1,467	554	2,021
Deemed disposal of a foreign associate	-	-	-	-	(1,387)	-	(1,387)	(462)	(1,849)
Liquidation of foreign operations	-	-	-	-	4,727	-	4,727	10,078	14,805
Settlement of intercompany dividend	-	-	-	-	2,877	-	2,877	7,177	10,054
Share of other comprehensive income of joint ventures	-	-	76,378	12,310	415,243	-	503,931	240,155	744,086
Share of other comprehensive income/(loss) of associates	-	-	(3,886)	-	18,083	-	14,197	5,165	19,362
Total comprehensive income for the year	-	-	75,368	12,310	569,541	96,031	753,250	532,509	1,285,759
Changes in non-controlling interests without change in control <i>(Note 40)</i>	-	-	-	-	-	513,978	513,978	(740,104)	(226,126)
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	69,093	69,093	25,062	94,155
2016/2017 final dividend declared and paid to shareholders of the Company	-	-	-	-	-	(24,658)	(24,658)	-	(24,658)
2017/2018 interim dividend declared and paid to shareholders of the Company	-	-	-	-	-	(14,795)	(14,795)	-	(14,795)
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	(142,137)	(142,137)
Unclaimed dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	873	873
<b>At 31 March 2018</b>	<b>986,598</b>	<b>1,709,202</b>	<b>221,888</b>	<b>1,977</b>	<b>511,312</b>	<b>6,909,216</b>	<b>10,340,193</b>	<b>4,847,615</b>	<b>15,187,808</b>



## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2018

	Attributable to equity holders of the Company									Total equity HK\$'000
	Share capital	Share option reserve	Special capital reserve (Note 36 (a))	Investment revaluation reserve	Hedging reserve (Note 36 (b))	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	986,598	923	1,709,202	141,374	(18,771)	202,278	6,138,631	9,160,235	5,340,080	14,500,315
Profit for the year	-	-	-	-	-	-	255,963	255,963	175,062	431,025
Other comprehensive income/(loss) for the year:										
Available-for-sale financial assets:										
Changes in fair value	-	-	-	13,953	-	-	-	13,953	5,789	19,742
Adjustment for disposal	-	-	-	994	-	-	-	994	515	1,509
Adjustment for impairment losses	-	-	-	2,279	-	-	-	2,279	519	2,798
Exchange differences on translation of foreign operations	-	-	-	-	-	(54,300)	-	(54,300)	(61,700)	(116,000)
Exchange differences reclassified to profit or loss upon:										
Disposal of foreign subsidiaries	-	-	-	-	-	(1,118)	-	(1,118)	(452)	(1,570)
Disposal of a foreign joint venture	-	-	-	-	-	6,613	-	6,613	-	6,613
Deemed disposal of a foreign associate	-	-	-	-	-	256	-	256	97	353
Share of other comprehensive income/(loss) of joint ventures	-	-	-	(12,080)	8,438	(211,678)	-	(215,320)	(111,744)	(327,064)
Share of other comprehensive loss of associates	-	-	-	-	-	(280)	-	(280)	(114)	(394)
Total comprehensive income/(loss) for the year	-	-	-	5,146	8,438	(260,507)	255,963	9,040	7,972	17,012
Changes in non-controlling interests without change in control (Note 40)	-	-	-	-	-	-	25,848	25,848	(55,633)	(29,785)
Share of equity movements arising on equity transactions of joint ventures	-	-	-	-	-	-	(87,688)	(87,688)	(45,493)	(133,181)
Disposal of subsidiaries with loss of control (Note 39)	-	-	-	-	-	-	-	-	4,298	4,298
Transfer of share option reserve upon disposal of a subsidiary	-	(923)	-	-	-	-	923	-	-	-
2015/2016 final dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(49,315)	(49,315)	-	(49,315)
2016/2017 interim dividend declared and paid to shareholders of the Company	-	-	-	-	-	-	(14,795)	(14,795)	-	(14,795)
Dividends declared and paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(44,949)	(44,949)
Return of capital to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(34,863)	(34,863)
At 31 March 2017	986,598	-	1,709,202	146,520	(10,333)	(58,229)	6,269,567	9,043,325	5,171,412	14,214,737





# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	41(a)	(354,602)	236,351
Interest received		14,659	15,284
Dividends received from:			
Associate		53,298	–
Joint ventures		–	11,556
Investments		25,524	24,063
Taxes paid:			
Hong Kong		(7,548)	(4,531)
Overseas		(96,247)	(67,778)
Net cash flows from/(used in) operating activities		(364,916)	214,945
<b>Cash flows from investing activities</b>			
Proceeds from return of capital of available-for-sale financial assets		1,496	–
Proceeds from disposals of:			
Fixed assets		48,005	1,412
Joint ventures		59,785	151,696
Available-for-sale financial assets		8,347	4,506
Payments to acquire:			
Fixed assets		(141,051)	(24,597)
Exploration and evaluation assets		(393)	(829)
Associates		(98,309)	–
Available-for-sale financial assets		(477,440)	(128,475)
Additions to investment properties		(57,769)	(64,092)
Repayment from associates		29,261	13,595
Advances to associates		(45)	(145)
Repayment from joint ventures		465	2,738
Advances to joint ventures		(134,162)	(1,021,120)
Acquisition of subsidiaries	38	–	3,834
Disposal of a joint operation, net of cash and cash equivalents		784	–
Disposal of subsidiaries, net of cash and cash equivalents	39	181,753	366,203
Recovery of loans and advances		21,475	–
Exclusivity payment received		–	110,000
Increase in time deposits with original maturity of more than three months		(27,471)	(45,434)
Net cash flows used in investing activities		(585,269)	(630,708)



## Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from financing activities</b>			
Finance costs paid		(70,384)	(58,695)
Drawdown of bank and other borrowings <i>(Note)</i>		2,317,221	1,466,416
Repayment of bank and other borrowings <i>(Note)</i>		(2,149,567)	(711,897)
Repayment of obligations under finance leases		(574)	(589)
Acquisition of non-controlling interests	40	(201,538)	(28,779)
Payment for share capital reduction by a subsidiary	40	(24,588)	–
Dividends paid to shareholders of the Company		(39,453)	(64,110)
Dividends paid to non-controlling shareholders of subsidiaries		(142,137)	(44,949)
Return of capital to a non-controlling shareholder of a subsidiary		–	(34,863)
Decrease/(Increase) in restricted cash		832,036	(870,509)
Net cash flows from/(used in) financing activities		521,016	(347,975)
<b>Net decrease in cash and cash equivalents</b>			
<b>Cash and cash equivalents at beginning of year</b>			
Cash and cash equivalents included in assets classified as held for sale	29	–	(465)
Exchange realignments		89,578	(39,991)
<b>Cash and cash equivalents at end of year</b>		<b>1,797,328</b>	<b>2,136,919</b>

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

Lippo Limited is a limited liability company incorporated in the Hong Kong Special Administrative Region of the People's Republic of China. The registered office of the Company is located at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

The principal business activity of the Company is investment holding. Its subsidiaries, associates, joint ventures and joint operation are principally engaged in investment holding, property investment, property development, food businesses, healthcare services, hotel operation, property management, project management, mineral exploration, extraction and processing, 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 Lippo Capital Limited ("Lippo Capital"), a company incorporated in the Cayman Islands. In the opinion of the Directors, on 6 December 2017, Lippo Capital 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 190 to 203.

## 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 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. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 2.4. 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.



## Notes to the Financial Statements *(continued)*

### 2.1 BASIS OF PREPARATION *(continued)*

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 retained profits, 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	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> 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.



## Notes to the Financial Statements *(continued)*

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

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:

#### (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 retained profits 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.



## Notes to the Financial Statements *(continued)*

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

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.

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 retained earnings 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, joint ventures and joint operation are principally engaged in investment holding, property investment, property development, food businesses, healthcare services, hotel operation, property management, project management, mineral exploration, extraction and processing, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services. Some contracts with customers under the food businesses provide a right of return. Currently, the Group recognises a provision for the net margin arising from expected sales returns. Under HKFRS 15, the Group will recognise the amount of expected sales returns as a refund liability. Besides, 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 43(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\$316,208,000. 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(b) Interests in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 recognises in relation to its interest in a joint operation:

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

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

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

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

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



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

#### (d) Fair value measurement

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

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



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) 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.

#### (f) Related parties

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

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

or

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

#### (g) Fixed assets and depreciation

Fixed assets, other than construction in progress, 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, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. 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:

Freehold land	Not depreciated
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, plant and equipment	10% to 100%
Motor vehicles	10% to 33 $\frac{1}{3}$ %
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.

Construction in progress is not depreciated as the asset is not available for use. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (h) Investment properties

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

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 retained profits as a movement in reserves.

#### (i) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Fixed assets and intangible assets classified as held for sale are not depreciated or amortised.





## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (j) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets relating to unpatented technology and customer relationships, acquired in a business combination have finite useful lives and are measured at cost less accumulated amortisation and impairment losses. These intangible assets are amortised in the statement of profit or loss on a straight-line basis over their estimated useful lives as follows:

Unpatented technology	10%
Customer relationships	10%

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### *Trademarks*

Trademarks were acquired in business combinations. The useful life of the "Food Junction" trademark is estimated to be indefinite given that no legal, regulatory, contractual, competitive, economic or any other factors limit the life of the trademarks. As a result, trademarks would not be amortised until the useful life is determined to be finite. Trademarks would be tested for impairment in accordance with HKAS 36 annually and whenever there is an indication that they may be impaired.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(k) Exploration and evaluation assets**

The Group, through its interests in joint arrangements, has investments in mineral properties, which are in the exploration stage. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognised and capitalised on a property by property basis. Such costs include, but are not exclusive to, costs of geological and geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted had no impairment been recognised.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Group recognises in the statement of profit or loss costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the statement of profit or loss. Exploration areas where reserves have been discovered but require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

#### **(l) Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, are included in fixed assets, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(m) Investments and other financial assets**

##### *Initial recognition and measurement*

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

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

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

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

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

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

##### *Loans and receivables*

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

##### *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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(m) Investments and other financial assets *(continued)***

*Subsequent measurement (continued)*

*Available-for-sale financial assets (continued)*

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

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

#### **(n) 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (n) Derecognition of financial assets *(continued)*

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.

#### (o) 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (o) Impairment of financial assets *(continued)*

##### *Assets carried at cost*

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

##### *Available-for-sale financial assets*

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — 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)*

#### (p) 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, bank and other borrowings and derivative financial instruments.

##### *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)*

#### **(q) 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.

#### **(r) 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.

#### **(s) 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.

#### **(t) 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.





## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (u) 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.

#### (v) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (i) raw materials and stores, purchase costs on a weighted-average basis; and
- (ii) finished goods and goods for sale, costs of direct materials, labour and production overheads based on the level of normal activity, assigned on a weighted-average basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (w) 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.

#### (x) 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (x) Provisions *(continued)*

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

#### (y) 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.

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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(y) Income tax** *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if 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.

#### **(z) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

#### **(aa) 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. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the Group's entitlement to receive payment has been established in accordance with the terms of the agreements;
- (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;



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (aa) Revenue recognition *(continued)*

- (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) management and service fee income, when the services have been rendered;
- (vii) revenue from sale of goods, upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods; and
- (viii) revenue from sale of food and beverage, upon the delivery to and acceptance by customers, net of sales discounts.

#### (ab) 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (ab) Employee benefits *(continued)*

##### *Share-based payments*

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

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

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

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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(ac) 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.

#### **(ad) 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 and articles of association 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.

#### **(ae) 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.



## Notes to the Financial Statements *(continued)*

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (ae) Foreign currencies *(continued)*

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.

### 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\$880,548,000 (2017 — HK\$1,482,131,000). Further details are disclosed in Note 19 to the financial statements.

##### *Impairment of non-financial assets*

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

As disclosed in Note 16 to the financial statements, the recoverable amounts of the CGU to which goodwill and trademarks have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 16 to the financial statements. The carrying amount of intangible assets as at 31 March 2018 was HK\$213,238,000 (2017 — HK\$198,765,000).





## Notes to the Financial Statements *(continued)*

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

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

##### *Provision for obsolete inventories*

The Group reviews periodically for any excess inventories and decline in net realisable value below cost. An allowance is recorded against the inventories balance for such declines. These reviews require the Group to consider the future saleability of the inventories.

In determining the amount of allowance or write down, the Group considers factors including the ageing analysis by expiry date and the consumption patterns. Such an evaluation process requires judgement and affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories as at 31 March 2018 was HK\$302,406,000 (2017 — HK\$237,657,000).

##### *Impairment of loans and advances*

The Group assesses at the end of each reporting period whether there is any objective evidence that loans and advances are impaired. Factors such as the probability of insolvency or significant financial difficulties of the borrowers and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the borrower's payment ability or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the borrower operates. Impairment losses of HK\$15,801,000 (2017 — HK\$67,092,000) were provided for loans and advances for the year.

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

The Group classifies certain assets as available for sale. Management makes assessment about the decline in value of available-for-sale financial assets to determine whether there is an impairment that should be recognised in the statement of profit or loss. Impairment losses of HK\$23,895,000 (2017 — HK\$15,802,000) were provided for available-for-sale financial assets for the year. The carrying amount of available-for-sale financial assets as at 31 March 2018 was HK\$396,228,000 (2017 — HK\$314,515,000).



## Notes to the Financial Statements *(continued)*

### 4. SEGMENT INFORMATION

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

- (a) the property investment segment includes investments relating to letting and resale of properties;
- (b) the property development segment includes development and sale of properties;
- (c) the treasury investment segment includes investments in money markets;
- (d) the securities investment segment includes dealings in securities and financial assets available for sale;
- (e) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (f) the food businesses segment mainly includes distribution of consumer food and non-food products, food manufacturing and retailing, the management of restaurants and food court operations;
- (g) the healthcare services segment includes provision of healthcare management services;
- (h) the banking business segment engages in the provision of commercial and retail banking services;
- (i) the mineral exploration and extraction segment includes mineral exploration, extraction and processing; and
- (j) the "other" segment comprises principally money lending, the provision of property, project, fund management and investment advisory services and investment in closed-end fund.

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)*

Note:

- (a) Capital expenditure includes additions to fixed assets, investment properties and exploration and evaluation assets.
- (b) The amount in 2017 included gain on disposal of a subsidiary of HK\$332,286,000.

#### Geographical information

##### (a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	295,350	330,247
Macau	31,180	96,822
Mainland China	30,077	35,050
Republic of Singapore	1,546,227	1,674,788
United States of America	15,116	8,036
Malaysia	592,946	517,203
Other	3,508	8,240
	<b>2,514,404</b>	2,670,386

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

##### (b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	1,300,102	1,209,602
Macau	106,945	245,024
Mainland China	298,383	267,615
Republic of Singapore	12,091,505	10,258,282
United States of America	125,219	34,862
Malaysia	82,206	14,558
Other	61,861	55,056
	<b>14,066,221</b>	12,084,999

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

#### Information about a major customer

Revenue of approximately HK\$428,627,000 for the year ended 31 March 2018 (2017 — HK\$449,915,000) was derived from sales by the food businesses 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, income from sales of goods and food and beverage, fees charged to food court tenants, gross income from property and 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	34,666	35,279
Sales of properties	43,901	107,507
Interest income	66,985	92,505
Dividend income	24,943	24,830
Corporate finance and securities broking	17,077	15,355
Sales of goods	1,706,766	1,695,993
Sales of food and beverage	449,552	517,162
Fees charged to food court tenants	130,525	137,465
Other	39,989	44,290
	<b>2,514,404</b>	2,670,386

### 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	(10,004)	(36,940)
Cost of inventories sold	(1,337,187)	(1,326,758)
Other	(33,163)	(15,681)
	<b>(1,380,354)</b>	(1,379,379)
Net fair value gain/(loss) on:		
Financial assets at fair value through profit or loss:		
Equity securities	(38,921)	178,729
Debt securities	2,261	(3,190)
Investment funds	25,382	9,351
Equity linked notes	(5,520)	–
	<b>(16,798)</b>	184,890
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	(2,326)	(482)
Derivative financial instruments	3,563	22,570
	<b>(15,561)</b>	206,978

## 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
Employee benefit expense <i>(Note (a))</i> :		
Wages and salaries	<b>(429,133)</b>	(467,800)
Retirement benefit costs <i>(Note (b))</i>	<b>(41,320)</b>	(41,123)
Total staff costs	<b>(470,453)</b>	(508,923)
Interest income:		
Financial assets at fair value through profit or loss	<b>2,016</b>	2,513
Available-for-sale financial assets	<b>67</b>	917
Loans and advances	<b>52,311</b>	76,246
Promissory note	<b>88</b>	–
Other	<b>12,591</b>	12,829
Gain/(Loss) on disposal of:		
Fixed assets	<b>21,708</b>	(922)
A joint operation	<b>(105)</b>	–
Available-for-sale financial assets	<b>7,767</b>	1,319
Gain/(Loss) on deemed disposal of associates	<b>4,859</b>	(785)
Gain on derecognition of available-for-sale financial assets	<b>12,919</b>	–
Gain on bargain purchase <i>(Note (c))</i>	–	43
Write-back of provisions/(Provisions) for impairment losses on <i>(Note (c))</i> :		
Intangible assets	–	(11,976)
Exploration and evaluation assets	–	(731)
Fixed assets	<b>13,227</b>	(22,236)
An associate	–	(102)
A joint venture	<b>465</b>	2,738
Properties held for sale	<b>195</b>	(434)
Inventories	<b>(7,774)</b>	(24,798)
Fixed assets written off	<b>(3,582)</b>	(863)
Depreciation	<b>(74,799)</b>	(78,090)
Amortisation of intangible assets <i>(Note (d))</i>	<b>(104)</b>	(7,715)
Foreign exchange gains/(losses) — net	<b>31,715</b>	(14,290)
Realised translation losses reclassified to the statement of profit or loss relating to:		
Liquidation of foreign operations	<b>(14,805)</b>	–
Settlement of intercompany dividend	<b>(10,054)</b>	–
Auditor's remuneration	<b>(13,304)</b>	(12,246)
Operating leases:		
Minimum lease payments	<b>(213,266)</b>	(236,298)
Contingent rents	<b>(12,220)</b>	(11,147)
Direct operating expenses arising on rental-earning investment properties	<b>(4,811)</b>	(5,814)

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.
- (d) The amounts are included in "Administrative 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	6,663	6,141
Basic salaries, allowances and benefits in kind	9,564	9,448
Discretionary bonuses paid and payable	10,000	10,000
Retirement benefit costs	144	108
	<b>26,371</b>	25,697

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	Discretionary bonuses paid and payable HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:					
Stephen Riady	690	8,170	8,000	108	16,968
John Luen Wai Lee	720	1,394	2,000	36	4,150
	<b>1,410</b>	<b>9,564</b>	<b>10,000</b>	<b>144</b>	<b>21,118</b>
Non-executive directors:					
Leon Nim Leung Chan	1,176	-	-	-	1,176
Jark Pui Lee	230	-	-	-	230
	<b>1,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,406</b>
Independent non-executive directors:					
Edwin Neo	1,477	-	-	-	1,477
King Fai Tsui	1,172	-	-	-	1,172
Victor Ha Kuk Yung	1,198	-	-	-	1,198
	<b>3,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,847</b>
	<b>6,663</b>	<b>9,564</b>	<b>10,000</b>	<b>144</b>	<b>26,371</b>





## 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	Discretionary bonuses paid and payable HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:					
Stephen Riady	669	8,061	8,000	72	16,802
John Luen Wai Lee	699	1,387	2,000	36	4,122
	1,368	9,448	10,000	108	20,924
Non-executive directors:					
Leon Nim Leung Chan	1,143	–	–	–	1,143
Jark Pui Lee	223	–	–	–	223
	1,366	–	–	–	1,366
Independent non-executive directors:					
Edwin Neo	1,106	–	–	–	1,106
King Fai Tsui	1,138	–	–	–	1,138
Victor Ha Kuk Yung	1,163	–	–	–	1,163
	3,407	–	–	–	3,407
	6,141	9,448	10,000	108	25,697

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 year included two (2017 — two) Directors, details of whose emoluments are set out in Note 7 to the financial statements. Details of the emoluments of the remaining three (2017 — three) non-director, highest paid employees for the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Basic salaries, allowances and benefits in kind	7,652	7,592
Discretionary bonuses paid and payable	13,600	13,700
Retirement benefit costs	100	99
	<b>21,352</b>	21,391

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
3,500,001 — 4,000,000	1	1
4,500,001 — 5,000,000	1	1
12,500,001 — 13,000,000	1	1
	<b>3</b>	3

### 9. GAIN ON DISPOSAL OF JOINT VENTURES

The amount mainly included gain on disposal of further 31% equity interests in The Macau Chinese Bank Limited ("MCB", a joint venture of the Company) (the "Disposal") of HK\$113,905,000 (2017 — Nil).

### 10. WRITE-BACK OF PROVISION/(PROVISIONS) FOR IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

The provisions for impairment losses on loans and receivables were mainly related to the mineral exploration, extraction and processing, food businesses and money lending operations of the Group and its joint ventures and associates.

As previously announced, the Group holds a minority ownership interest in Skye Mineral Partners, LLC ("Skye") whose major asset is substantially all of the equity interests in CS Mining, LLC ("CS Mining"), a company that owned a number of copper ore deposits in the Milford Mineral Belt in Beaver County, State of Utah in the U.S. and had engaged in the business of mining and processing copper and other minerals. The Group, in response to the majority investors' failure to properly manage the business of CS Mining, commenced a series of actions aimed at permitting CS Mining to obtain additional capital needed to turnaround its business, including a petition filed in Delaware Chancery Court asking for the appointment of a receiver. In response to those actions, an involuntary bankruptcy petition was filed by certain creditors of CS Mining pursuant to Chapter 11 of the United States Bankruptcy Code in June 2016 in the United States Bankruptcy Court for the District of Utah (the "Utah Bankruptcy Court"). In the course of its bankruptcy case, CS Mining commenced a process to sell (the "Sale Process") all or substantially all of its assets (the "Assets"), and which assets included certain claims or causes of action that CS Mining had or may have against the Group (the "Claims"). Notwithstanding the difficulties faced by CS Mining, the Group remained generally positive about the long term prospects of the underlying business of CS Mining.



## Notes to the Financial Statements *(continued)*

### 10. WRITE-BACK OF PROVISION/(PROVISIONS) FOR IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES *(continued)*

Accordingly, the Group made an investment in a joint venture consortium (the "JV Company") for the purpose of participating in the Sale Process and bidding on the Assets in August 2017. Following a competitive auction that culminated the Sale Process, the JV Company's bid of US\$35,000,000 (together with the assumption of certain liabilities of CS Mining) was declared the winning bid for the Assets, and the Utah Bankruptcy Court entered an order approving and authorising the sale of the Assets, including the Claims, to the JV Company. The acquisition of the Assets, including all of the Claims, was completed on 28 August 2017. Following the purchase of the Assets, the JV Company, as the owner of all of the Claims, had entered into and granted a release of all of the Claims in favour of the Group. Following the approval of the sale of the Assets, CS Mining finalised the winding down of its business through a plan of liquidation that was approved by the Utah Bankruptcy Court in April 2018. As part of that plan of liquidation, Skye's equity interests in CS Mining were extinguished. The majority investors in Skye dismissed without prejudice litigation filed in early June 2016 against certain entities in the Group for damages allegedly suffered by CS Mining. However, subsequently, in January 2018, a verified complaint (the "Complaint") was filed in a United States state court in Delaware (the "Delaware State Court") by the majority investors in Skye individually and derivatively on behalf of Skye against, among others, certain entities and persons in or related to the Group for, among other things, damages for diminution in the value of their equity interests in CS Mining based on an alleged scheme perpetrated by the Group on CS Mining. The Group believes that the Complaint is frivolous and wholly without merit and will vigorously oppose the allegations set forth in the Complaint and any other claim that the majority investors in Skye may seek to bring against the Group. After the filing of the Complaint, the Group removed the Complaint to the United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court") and asked the Delaware Bankruptcy Court to transfer the Complaint to the Utah Bankruptcy Court. In addition, the JV Company filed a motion with the Utah Bankruptcy Court asking the Utah Bankruptcy Court to rule that the claims set forth in the Complaint were part of the Assets that the JV Company purchased from CS Mining (the "Motion to Enforce"). On 4 June 2018, the Utah Bankruptcy Court determined that it did not have jurisdiction to decide the Motion to Enforce. The Group is currently evaluating all options to have the issues underlying the Motion to Enforce determined. On 19 June 2018, a subsidiary of the Company commenced an involuntary Chapter 7 bankruptcy case against Skye in the Delaware Bankruptcy Court. On 22 June 2018, two subsidiaries of the Company that are named in the Complaint removed the Complaint back to the Delaware Bankruptcy Court following the Delaware Bankruptcy Court's ruling on 18 June 2018 remanding the Complaint back to Delaware State Court. In their notice of removal of the Complaint back to Delaware Bankruptcy Court, two subsidiaries of the Company stated that since the claims asserted in the Complaint relate to Skye, and as alleged by the majority investors in Skye are claims owned by Skye, those claims should be administered as part of the bankruptcy case of Skye pending in the Delaware Bankruptcy Court.

The provision for impairment losses on loans and receivables for the year ended 31 March 2017 included HK\$58,272,000 related to the secured loan granted to CS Mining as it was expected that the recoverable value of the Group's remaining secured loan was highly likely to be minimal and hence should therefore be fully impaired as at 31 March 2017. However, following the Sale Process completed during the financial year, provision for impairment losses on loans and receivables of HK\$21,475,000 was written back for the year ended 31 March 2018 upon partial repayment received.



## Notes to the Financial Statements *(continued)*

### 11. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank and other borrowings	66,607	43,607
Interest on finance leases	73	78
<b>Total interest</b>	<b>66,680</b>	43,685

### 12. 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 21 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.

### 13. INCOME TAX

	2018 HK\$'000	2017 HK\$'000
Hong Kong:		
Charge for the year	2,143	3,611
Underprovision in prior years	–	75
Deferred ( <i>Note 33</i> )	1,874	(2,371)
	<b>4,017</b>	1,315
Overseas:		
Charge for the year	50,740	47,922
Overprovision in prior years	(15,414)	(7,425)
Deferred ( <i>Note 33</i> ):		
Current year	(8,176)	(4,561)
Effect of change in tax rate	(1,356)	–
	<b>25,794</b>	35,936
<b>Total charge for the year</b>	<b>29,811</b>	37,251

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 the Republic of Singapore, Macau and mainland China, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 17%, 12% and 25% (2017 — 17%, 12% and 25%), 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)*

### 13. 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	<b>275,064</b>	468,276
Tax at the statutory tax rate of 16.5% (2017 — 16.5%)	<b>45,386</b>	77,265
Effect of different tax rates in other jurisdictions	<b>7,181</b>	2,915
Effect of change in tax rate in other jurisdiction	<b>(1,356)</b>	–
Adjustments in respect of current tax of previous years	<b>(15,414)</b>	(7,350)
Losses/(Profits) attributable to joint ventures and associates	<b>(20,438)</b>	2,417
Income not subject to tax	<b>(59,385)</b>	(107,850)
Expenses not deductible for tax	<b>65,442</b>	51,642
Effect of partial tax exemption and tax relief	<b>(4,030)</b>	(3,576)
Deferred tax on royalty income	–	(118)
Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China	<b>(128)</b>	(553)
Benefits from tax losses/temporary differences previously unrecognised	<b>(11,796)</b>	(4,764)
Tax losses/temporary differences not recognised	<b>23,781</b>	25,717
Land appreciation tax	<b>757</b>	2,008
Tax effect of land appreciation tax	<b>(189)</b>	(502)
Tax charge at the Group's effective rate	<b>29,811</b>	37,251

The share of tax charge attributable to associates and joint ventures amounting to HK\$1,871,000 (2017 — HK\$695,000) and HK\$107,763,000 (2017 — HK\$91,724,000), 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.

### 14. 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 493,154,000 ordinary shares (2017 — approximately 493,154,000 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)*

### 15. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Interim dividend, declared, of HK3 cents (2017 — HK3 cents) per ordinary share	<b>14,795</b>	14,795
Final dividend, proposed, of HK5 cents (2017 — HK5 cents) per ordinary share	<b>24,658</b>	24,658
	<b>39,453</b>	39,453

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

### 16. INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks and trademark licence agreement HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>2018</b>				
Cost:				
At 1 April 2017	332,179	295,255	161,411	788,845
Exchange adjustments	18,673	22,566	12,337	53,576
<b>At 31 March 2018</b>	<b>350,852</b>	<b>317,821</b>	<b>173,748</b>	<b>842,421</b>
Accumulated amortisation and impairment losses:				
At 1 April 2017	226,098	202,671	161,311	590,080
Amortisation provided for the year	–	–	104	104
Exchange adjustments	11,175	15,491	12,333	38,999
<b>At 31 March 2018</b>	<b>237,273</b>	<b>218,162</b>	<b>173,748</b>	<b>629,183</b>
Net carrying amount:				
<b>At 31 March 2018</b>	<b>113,579</b>	<b>99,659</b>	–	<b>213,238</b>



## Notes to the Financial Statements *(continued)*

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

	Goodwill HK\$'000	Trademarks and trademark licence agreement HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
2017				
Cost:				
At 1 April 2016	340,018	305,106	168,565	813,689
Write-off during the year	–	–	(1,727)	(1,727)
Exchange adjustments	(7,839)	(9,851)	(5,427)	(23,117)
At 31 March 2017	332,179	295,255	161,411	788,845
Accumulated amortisation and impairment losses:				
At 1 April 2016	230,122	209,434	149,150	588,706
Amortisation provided for the year	–	–	7,715	7,715
Impairment during the year	835	–	11,141	11,976
Write-off during the year	–	–	(1,727)	(1,727)
Exchange adjustments	(4,859)	(6,763)	(4,968)	(16,590)
At 31 March 2017	226,098	202,671	161,311	590,080
Net carrying amount:				
At 31 March 2017	106,081	92,584	100	198,765

Trademarks relate to the “Food Junction” trademarks. Trademark licence agreement relates to the right to use the “Delifrance” trademark granted under a licence agreement. The useful lives of these trademarks and the trademark licence agreement are estimated to be indefinite. The value of the trademark licence agreement was fully impaired in prior years.

Other intangible assets include unpatented technology and customer relationships.

Unpatented technology relates to Delifrance’s Modified Sons Vide Process for the Group’s food retail business, which allows for the preparation of food to reduce wastage significantly, increases the shelf life of the food items, and reduces the time required to reheat food significantly. The value of the unpatented technology was fully impaired in prior years.

Customer relationships relate to tenancy agreements between the stallholders and the food court operators in the food court business. The value of the customer relationships was fully amortised during the year ended 31 March 2018.

As at 31 March 2018, the net carrying amount of goodwill acquired through business combination allocated to the food businesses for impairment testing was HK\$113,579,000 (2017 — HK\$106,081,000).

## Notes to the Financial Statements *(continued)*

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

#### Impairment testing of goodwill, trademarks and trademark licence agreement for the food businesses

Goodwill, trademarks and trademark licence agreement acquired through business combinations have been allocated to the Group's CGUs identified according to each individual business unit for impairment testing.

The carrying amount of goodwill and intangible assets with indefinite lives allocated to each CGU is as follows:

	Goodwill HK\$'000	Trademarks and trademark licence agreement HK\$'000	Compounded revenue growth rate %	Long-term growth rate %	Pre-tax discount rate per annum %
<b>At 31 March 2018</b>					
Auric Marketing Sdn. Bhd. <i>(Note (a))</i>	15,092	–	7.7	3.0	9.8
Food Junction Holdings Limited <i>(Note (b))</i>	77,360	99,659	12.3	1.0	18.4
All Around Limited <i>(Note (c))</i>	21,127	–	2.3	1.0	17.0
	<b>113,579</b>	<b>99,659</b>			
<b>At 31 March 2017</b>					
Auric Marketing Sdn. Bhd. <i>(Note (a))</i>	13,176	–	4.8	3.0	11.3
Food Junction Holdings Limited <i>(Note (b))</i>	71,867	92,584	3.7	1.0	16.2
All Around Limited <i>(Note (c))</i>	21,038	–	1.5	1.0	13.8
	106,081	92,584			

The intangible assets' recoverable amounts have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a period of five years (2017 — five years). Management has considered and determined the factors applied in these financial budgets which include budgeted gross margins and the target growth rates.

Note:

- (a) For the years ended 31 March 2018 and 2017, it was assessed that there was no impairment of the goodwill acquired for Auric Marketing Sdn. Bhd. as the recoverable amount was in excess of the carrying value.
- (b) For the years ended 31 March 2018 and 2017, impairment assessment had been performed for the goodwill and trademarks acquired for Food Junction Holdings Limited ("FJH") and it was assessed that there was no impairment as the recoverable amount was in excess of the carrying value.
- (c) For the years ended 31 March 2018 and 2017, impairment assessment review had been performed for the goodwill acquired by FJH in All Around Limited and it was assessed that there was no impairment as the recoverable amount was in excess of the carrying value.

#### Key assumptions used in the value in use calculations

Pre-tax discount rates — Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital.





## Notes to the Financial Statements *(continued)*

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

#### Impairment testing of goodwill, trademarks and trademark licence agreement for the food businesses *(continued)*

##### Key assumptions used in the value in use calculations *(continued)*

**Compounded revenue growth rates** — The compounded revenue growth rate is the rate which revenue grows over a period of five years, taking into account the effect of annual compounding. Management determines the growth rates based on past performance and its expectations for market development. The forecast are based on management's past experience and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

**Budgeted gross margins** — Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

##### Impairment loss recognised

For the year ended 31 March 2017, following the change in the business strategy in tenants' profile and variety mix for differentiation against own and competitors' food courts, a detailed review of the tenancy mix for food court was carried out whereby the prior year assumption on continual contribution from the pool of tenants since inception was re-assessed against the carrying value of the intangible assets for customer relationships. This strategy review of the food court business resulted in recognition of an impairment loss of HK\$11,141,000 for the year. No impairment loss was charged to the consolidated statement of profit or loss for the year ended 31 March 2018.

##### Sensitivity to changes in assumptions

For the years ended 31 March 2018 and 2017, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the business units to materially exceed their recoverable amounts.

### 17. EXPLORATION AND EVALUATION ASSETS

	2018 HK\$'000	2017 HK\$'000
Cost:		
Balance at beginning of year	108,161	110,224
Additions during the year	393	829
Disposal of a joint operation	(31,141)	–
Exchange adjustments	4,632	(2,892)
Balance at end of year	82,045	108,161
Accumulated impairment losses:		
Balance at beginning of year	107,062	109,207
Impairment during the year	–	731
Disposal of a joint operation	(29,958)	–
Exchange adjustments	4,585	(2,876)
Balance at end of year	81,689	107,062
Net carrying amount	356	1,099

During the year ended 31 March 2017, impairment loss of HK\$731,000 was charged to the consolidated statement of profit or loss. This impairment was based on identified indicators of impairment that resulted from a downturn in the junior mining exploration sector, unfavourable changes in the project economics, inability to raise financing necessary to continue exploration or further development and significant decreases in the current or expected future prices of mineral resources. No impairment loss was charged to the consolidated statement of profit or loss for the year ended 31 March 2018.

## Notes to the Financial Statements *(continued)*

### 18. FIXED ASSETS

	Land and buildings HK\$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000	Yacht HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>2018</b>					
At 31 March 2017 and at 1 April 2017					
Cost or valuation	182,942	720,457	51,545	1,700	956,644
Accumulated depreciation and impairment losses	(102,489)	(620,611)	(13,340)	(283)	(736,723)
Net carrying amount	80,453	99,846	38,205	1,417	219,921
At 1 April 2017, net of accumulated depreciation and impairment losses	80,453	99,846	38,205	1,417	219,921
Additions during the year <i>(Note)</i>	70,571	96,839	–	191	167,601
Reclassification from investment properties <i>(Note 19)</i>	768,500	–	–	–	768,500
Disposals during the year	(11,084)	(15,240)	–	–	(26,324)
Depreciation provided for the year	(16,919)	(52,539)	(5,341)	–	(74,799)
Impairment written back during the year	–	13,227	–	–	13,227
Write-off during the year	–	(3,582)	–	–	(3,582)
Exchange adjustments	1,160	4,159	2,713	37	8,069
At 31 March 2018, net of accumulated depreciation and impairment losses	892,681	142,710	35,577	1,645	1,072,613
<b>At 31 March 2018</b>					
Cost or valuation	1,017,802	742,503	55,485	1,950	1,817,740
Accumulated depreciation and impairment losses	(125,121)	(599,793)	(19,908)	(305)	(745,127)
Net carrying amount	892,681	142,710	35,577	1,645	1,072,613



## Notes to the Financial Statements (continued)

### 18. FIXED ASSETS (continued)

	Land and buildings HK\$'000	Leasehold improvements, furniture, fixtures, plant and equipment and motor vehicles HK\$'000	Yacht HK\$'000	Construction in progress HK\$'000	Total HK\$'000
2017					
At 1 April 2016					
Cost or valuation	186,503	761,568	53,265	3,153	1,004,489
Accumulated depreciation and impairment losses	(101,418)	(598,904)	(8,458)	(293)	(709,073)
Net carrying amount	85,085	162,664	44,807	2,860	295,416
At 1 April 2016, net of accumulated depreciation and impairment losses					
At 1 April 2016, net of accumulated depreciation and impairment losses	85,085	162,664	44,807	2,860	295,416
Additions during the year (Note)	–	34,294	–	622	34,916
Reclassification to assets held for sale (Note 29)	–	(76)	–	–	(76)
Reclassification	–	1,984	–	(1,984)	–
Disposals during the year	–	(2,334)	–	–	(2,334)
Disposal of subsidiaries	–	(144)	–	–	(144)
Depreciation provided for the year	(3,760)	(69,129)	(5,201)	–	(78,090)
Impairment during the year	–	(22,236)	–	–	(22,236)
Write-off during the year	–	(863)	–	–	(863)
Exchange adjustments	(872)	(4,314)	(1,401)	(81)	(6,668)
At 31 March 2017, net of accumulated depreciation and impairment losses					
At 31 March 2017, net of accumulated depreciation and impairment losses	80,453	99,846	38,205	1,417	219,921
At 31 March 2017					
Cost or valuation	182,942	720,457	51,545	1,700	956,644
Accumulated depreciation and impairment losses	(102,489)	(620,611)	(13,340)	(283)	(736,723)
Net carrying amount	80,453	99,846	38,205	1,417	219,921

Note: The amounts include reinstatement costs of HK\$9,798,000 (2017 — HK\$1,206,000) for dismantling, removal and restoration of fixed assets and a reclassification from prepayment of HK\$16,752,000 (2017 — HK\$9,113,000). Cash payments of HK\$141,051,000 (2017 — HK\$24,597,000) were made to purchase fixed assets during the year.

The carrying amount of the Group's fixed assets held under finance leases included in the total amount of furniture, fixtures, plant and equipment as at 31 March 2018 was HK\$1,824,000 (2017 — HK\$1,728,000). Leased assets are pledged as security for the related finance lease obligations as set out in Note 30 to the financial statements.

Certain land and buildings have been mortgaged to secure banking facilities made available to the Group as set out in Note 30 to the financial statements.

## Notes to the Financial Statements *(continued)*

### 19. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Carrying amount at beginning of year	1,482,131	1,372,632
Additions during the year	57,769	64,092
Reclassification to fixed assets <i>(Note 18)</i>	(768,500)	–
Fair value adjustments	75,127	61,620
Exchange adjustments	34,021	(16,213)
Carrying amount at end of year	880,548	1,482,131

Certain investment properties have been mortgaged to secure banking facilities made available to the Group as set out in Note 30 to the financial statements.

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

Based on professional valuations as at 31 March 2018 made by Asian Appraisal Company, Inc., CBRE, Inc., Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Cresa Polska Sp. z o.o., Dalia Assis, D'Valuer Property Consultants Pte Ltd, RHL Appraisal Limited and Vigers Appraisal and Consulting Limited, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK\$880,548,000 (2017 — HK\$1,482,131,000).

#### Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>At 31 March 2018</b>				
<b>Recurring fair value measurement for:</b>				
Completed investment properties in:				
Hong Kong	–	–	388,560	388,560
Mainland China	–	–	283,307	283,307
Overseas	–	–	208,681	208,681
	–	–	880,548	880,548



## Notes to the Financial Statements *(continued)*

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

#### Fair value hierarchy *(continued)*

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31 March 2017				
<b>Recurring fair value measurement for:</b>				
Completed investment properties in:				
Hong Kong	–	–	1,080,010	1,080,010
Mainland China	–	–	254,564	254,564
Overseas	–	–	147,557	147,557
	–	–	1,482,131	1,482,131

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).

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:			
Hong Kong	Market approach	Price per square metre	HK\$75,500 to HK\$316,000 (2017 — HK\$122,000 to HK\$436,000)
	Income approach	Capitalisation rate	8.0% (2017 — N/A)
Mainland China	Market approach	Price per square metre	HK\$14,000 to HK\$23,500 (2017 — HK\$13,000 to HK\$20,000)
Overseas	Market approach	Price per square metre	HK\$9,000 to HK\$161,000 (2017 — HK\$21,000 to HK\$124,000)
	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%)

N/A: Not applicable

## Notes to the Financial Statements *(continued)*

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

#### Fair value hierarchy *(continued)*

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.

### 20. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	938,121	488,507
Goodwill	278,260	470
Due from associates	98,224	126,841
	<b>1,314,605</b>	615,818
Provisions for impairment losses	<b>(125,664)</b>	(171,481)
	<b>1,188,941</b>	444,337

The balances with the associates include a loan of HK\$36,930,000 (2017 — HK\$36,564,000), which bears interest at 8.5% per annum and is repayable on demand. The remaining balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The amounts due from associates 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 — HK\$102,000) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal associates are set out on pages 204 and 205.

Healthway Medical Corporation Limited ("Healthway"), TIH Limited ("TIH") and Greenix Limited ("Greenix"), are considered as material associates of the Group.



## Notes to the Financial Statements *(continued)*

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

#### Healthway

Healthway is a listed company in Singapore. Healthway, together with its subsidiaries, owns, operates and manages close to 100 medical centres and clinics. In February 2017, the Group made a voluntary conditional cash offer for all the issued and paid-up ordinary shares in Healthway at S\$0.042 per share (the "Healthway Offer"). The Healthway Offer closed on 12 May 2017. Following the completion of the Healthway Offer, the Group's equity interest in Healthway was 55.02%. Healthway became an associate of the Group in May 2017 under HKFRSs and is accounted for using the equity method. The purchase price allocation exercise of the investments in Healthway was completed.

The Group acquired equity interests in Healthway in various tranches and these equity interests were recorded as available-for-sale financial assets and financial assets at fair value through profit or loss before the Group obtained significant influence on Healthway in May 2017. Such equity interests were reclassified to interests in associates upon completion of the Healthway Offer and cumulated fair value gain of HK\$12,919,000 in relation to the available-for-sale financial assets were reclassified from other comprehensive income to the statement of profit or loss for the year ended 31 March 2018 (2017 — Nil).

In October 2017, the Group and the other holder of the convertible notes ("CNs") of Healthway had exercised the conversion rights to all the CNs. The Group's equity interest in Healthway was diluted to 40.82% and a gain on deemed disposal of HK\$4,859,000 was recorded for the year ended 31 March 2018 (2017 — Nil).

#### TIH

TIH is a closed-end fund listed in Singapore which focused on investment in various sectors in Asia such as consumer and industrial products, healthcare, technology, media and telecommunications, food, manufacturing and chemicals. In January 2018, Kaiser Union Limited ("KUL"), a subsidiary of the Company, as the bid vehicle for Premier Asia Limited, a subsidiary of the Company, and Alexandra Road Limited ("ARL", an independent third party) (collectively, the "Joint Offerors") made a voluntary unconditional offer for all the issued and paid-up ordinary shares in TIH (the "TIH Offer") at S\$0.57 per share, as to which S\$0.125 was paid in cash and S\$0.445 was paid by the notes issued by KUL. Such notes bear interest at a rate of 2.25% per annum and will be due three years from the close of the TIH Offer (the "Unsecured Notes").

The TIH Offer closed on 20 February 2018. Following the completion of the TIH Offer, the Group's equity interest in TIH was 45.8%. As a result, Unsecured Notes of S\$49,276,000 (equivalent to HK\$294,750,000) were issued by KUL. Pursuant to a review made by the Joint Offerors following the close of the TIH Offer, KUL had transferred approximately 5.9% of the issued shares of TIH to ARL (the "Transfer") so as to reach a desired level of shareholding percentage in TIH. The Transfer was made at the offer price and on the same terms as the TIH Offer. Hence, S\$1,782,000 of the consideration was received in cash (equivalent to HK\$10,659,000) and the Group received a promissory note of S\$6,345,000 (equivalent to HK\$37,956,000) which carried interest at a rate of 2.25% per annum from ARL (the "Promissory Note") for the balance consideration.

Following the completion of the Transfer in March 2018, the Group's equity interest in TIH was 39.92%. TIH became an associate of the Group and is accounted for using the equity method. The purchase price allocation exercise of the investments in TIH has not been completed.



## Notes to the Financial Statements *(continued)*

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

#### Greenix

Greenix and its subsidiaries 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 Healthway, TIH and Greenix, adjusted for fair value adjustments on acquisition (if any) and any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	Healthway 2018 HK\$'000	TIH 2018 HK\$'000	Greenix 2018 HK\$'000	2017 HK\$'000
Current assets	345,354	296,131	847,610	863,615
Non-current assets	355,762	573,085	–	–
Current liabilities	(123,682)	(116,324)	(99,783)	(21,563)
Non-current liabilities	(63,860)	–	–	(57,654)
Net assets, excluding goodwill	513,574	752,892	747,827	784,398
Reconciliation to the Group's interests in associates:				
Group's share of net assets of associates, excluding goodwill	209,640	300,555	373,914	392,199
Goodwill	244,754	33,036	–	–
Due from the associate	–	–	–	28,827
Carrying amount of the investments	454,394	333,591	373,914	421,026
Revenue for the period/year <i>(Note (a))</i>	544,514	5,210	123,683	49,860
Profit/(Loss) for the period/year <i>(Note (a))</i>	(46,787)	10,187	11,643	(1,782)
Other comprehensive income/(loss) for the period/year <i>(Note (a))</i>	55,598	(12,980)	–	–
Total comprehensive income/(loss) for the period/year <i>(Note (a))</i>	8,811	(2,793)	11,643	(1,782)
Dividend received	–	–	53,298	–
Fair value of the Group's listed investments <i>(Note (b))</i>	541,834	274,105	N/A	N/A

Note:

- (a) The financial information of Healthway and TIH presented above is based on the results for the period from the respective date when Healthway and TIH became associates of the Group to 31 March 2018.
- (b) Based on the quoted market price as at 31 March 2018 (Level 1 in the fair value hierarchy).





## Notes to the Financial Statements *(continued)*

### 20. 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	2,498	(1,676)
Share of the associates' other comprehensive loss for the year	–	(394)
Share of the associates' total comprehensive income/(loss) for the year	2,498	(2,070)
Aggregate carrying amount of the Group's interests in the associates	27,042	23,311

### 21. INTERESTS IN JOINT VENTURES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	8,102,309	7,474,096
Due from joint ventures	2,618,461	2,259,272
	10,720,770	9,733,368
Provisions for impairment losses	(11,352)	(11,817)
	10,709,418	9,721,551

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 receivable and trade payable balances with joint ventures are disclosed in Notes 23 and 31 to the financial statements, respectively.

Details of the principal joint ventures are set out on pages 206 and 207.

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)*

### 21. 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	<b>50,885,943</b>	45,676,457
Cash and cash equivalents	<b>2,434,147</b>	1,853,197
Other current assets	<b>7,207,503</b>	5,129,573
Current assets	<b>9,641,650</b>	6,982,770
Financial liabilities, excluding trade and other payables	<b>(11,842,827)</b>	(4,548,888)
Other current liabilities	<b>(2,446,167)</b>	(1,488,648)
Current liabilities	<b>(14,288,994)</b>	(6,037,536)
Non-current financial liabilities, excluding trade and other payables and provisions	<b>(19,885,637)</b>	(22,747,205)
Other non-current liabilities	<b>(1,592,717)</b>	(1,414,850)
Non-current liabilities	<b>(21,478,354)</b>	(24,162,055)
Net assets	<b>24,760,245</b>	22,459,636
Reconciliation to the Group's interest in the joint venture:		
Net assets	<b>24,760,245</b>	22,459,636
Less: Non-controlling interests	<b>(16,215,320)</b>	(14,787,965)
Net assets attributable to equity holders of the joint venture	<b>8,544,925</b>	7,671,671
Group's share of net assets of the joint venture	<b>8,055,844</b>	7,232,621
Due from the joint venture	<b>2,466,880</b>	2,241,562
Adjustment of unrealised gain	<b>(12,954)</b>	(12,954)
Carrying amount of the investment	<b>10,509,770</b>	9,461,229
Revenue	<b>4,230,921</b>	4,393,758
Interest income	<b>45,365</b>	24,709
Depreciation and amortisation	<b>(182,956)</b>	(150,680)
Interest expenses	<b>(981,277)</b>	(870,300)
Tax	<b>(178,461)</b>	(151,250)
Profit/(Loss) for the year attributable to equity holders of the joint venture	<b>168,195</b>	(23,215)
Other comprehensive income/(loss) for the year attributable to equity holders of the joint venture	<b>789,695</b>	(346,944)
Total comprehensive income/(loss) for the year attributable to equity holders of the joint venture	<b>957,890</b>	(370,159)



## Notes to the Financial Statements *(continued)*

### 21. 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/(loss) for the year	<b>(24,541)</b>	9,801
Share of the joint ventures' other comprehensive loss for the year	<b>(280)</b>	(34)
Share of the joint ventures' total comprehensive income/(loss) for the year	<b>(24,821)</b>	9,767
Aggregate carrying amount of the Group's interests in the joint ventures	<b>199,648</b>	260,322

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)*

### 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$'000	2017 HK\$'000
Financial assets stated at fair value:		
Equity securities	<b>38,604</b>	92,664
Debt securities	<b>20,937</b>	18,730
Investment funds	<b>145,090</b>	114,066
	<b>204,631</b>	225,460
Financial assets stated at cost:		
Equity securities	<b>306,640</b>	306,154
Investment funds	<b>162,654</b>	86,276
	<b>469,294</b>	392,430
Provisions for impairment losses	<b>(277,697)</b>	(303,375)
	<b>191,597</b>	89,055
	<b>396,228</b>	314,515

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\$19,099,000 (2017 — HK\$19,742,000), of which gain of HK\$2,436,000 (2017 — loss of HK\$1,509,000) and HK\$12,919,000 (2017 — Nil) were reclassified from consolidated other comprehensive income to the consolidated statement of profit or loss for the year upon disposal and derecognition, respectively.

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

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

During the year, the Directors reviewed the carrying amount of available-for-sale financial assets with reference to their business performances prepared by the investees' management. Impairment loss of HK\$23,895,000 (2017 — HK\$15,802,000, which included a reclassification from consolidated other comprehensive income of HK\$2,798,000), had been charged to the consolidated statement of profit or loss for the year.

As at 31 March 2017, certain available-for-sale investment funds had been pledged to a bank for the issuance of bank guarantees to a subsidiary of the Company in relation to the Healthway Offer. The bankers' guarantees had not been utilised and expired in June 2017. The charges on these available-for-sale financial assets had been released accordingly.



## 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	250,443	251,160
Between 31 and 60 days	65,834	56,419
Between 61 and 90 days	45,449	37,320
Between 91 and 180 days	25,362	15,848
Over 180 days	102	83
	<b>395,118</b>	368,337

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.

As at 31 March 2018, the balances of debtors, prepayments and deposits included the Promissory Note of HK\$37,956,000 (2017 — Nil), which is unsecured, bears interest at a rate of 2.25% per annum and is repayable on demand. Except for receivables from certain securities broking operation which are interest-bearing, the remaining balances of debtors, prepayments and deposits are non-interest bearing. Details of the Promissory Note are disclosed in Note 20 to the financial statements.

As at 31 March 2017, the trade debtors included an amount of HK\$3,468,000 due from a then joint venture of the Group. The balance arose from sales made to that company, and was unsecured, non-interest bearing and repayable within normal trade credit terms and was to be settled in cash.

At the end of the reporting period, the individually impaired trade and other receivables mainly related to securities broking operation, property development projects and the food businesses segment with an aggregate carrying amount before provision of HK\$31,420,000 (2017 — HK\$29,992,000). 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	29,467	34,771
Impairment losses recognised	2,491	2,170
Amount written off as uncollectible	(1,735)	(6,618)
Exchange adjustments	813	(856)
Balance at end of year	<b>31,036</b>	29,467

## Notes to the Financial Statements *(continued)*

### 23. DEBTORS, PREPAYMENTS AND DEPOSITS *(continued)*

As at 31 March 2018, trade and other receivables of HK\$139,939,000 (2017 — HK\$116,689,000) were past due but not impaired. These related to a number of independent customers that have a good track record with the Group. The aged analysis of these balances is as follows:

	2018 HK\$'000	2017 HK\$'000
Outstanding balances with ages:		
Within 30 days	92,685	80,019
Between 31 and 60 days	29,812	17,121
Between 61 and 90 days	6,185	8,352
Between 91 and 180 days	8,637	8,424
Over 180 days	2,620	2,773
	<b>139,939</b>	116,689

### 24. PROPERTIES UNDER DEVELOPMENT

	2018 HK\$'000	2017 HK\$'000
Land and buildings situated outside Hong Kong, at cost:		
Balance at beginning of year	85,366	319,352
Additions during the year	200	1,572
Reclassified to assets held for sale <i>(Note 29)</i>	–	(218,593)
Exchange adjustments	7,218	(16,965)
Balance at end of year	<b>92,784</b>	85,366
Provisions for impairment losses:		
Balance at beginning of year	(56,520)	(59,289)
Impairment during the year	(143)	(22,888)
Reclassified to assets held for sale <i>(Note 29)</i>	–	22,753
Exchange adjustments	(5,541)	2,904
Balance at end of year	<b>(62,204)</b>	(56,520)
	<b>30,580</b>	28,846

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



## Notes to the Financial Statements *(continued)*

### 25. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials and stores	17,216	16,632
Finished goods and goods for sale	285,190	221,025
	<b>302,406</b>	237,657

### 26. 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, money lending and mineral exploration and extraction 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	226,504	159,081
Impairment losses recognised	15,801	67,092
Impairment losses reversed	(21,475)	—
Exchange adjustments	2,535	331
Balance at end of year	<b>223,365</b>	226,504

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)*

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

	2018 HK\$'000	2017 HK\$'000
Held for trading:		
Equity securities	808,562	434,863
Debt securities	195,965	206,188
Investment funds	364,694	396,247
	<b>1,369,221</b>	1,037,298
Designated as such upon initial recognition:		
Equity linked notes ( <i>Note</i> )	376,407	–
	<b>1,745,628</b>	1,037,298

Note: In March 2018, the Group subscribed for the equity linked notes (the "ELN") which are linked to the shares of Tencent Holdings Limited ("Tencent Shares") listed in Hong Kong. The subscription price of HK\$381,927,000 was due and paid on 11 April 2018. The notional amount of the ELN as at 31 March 2018 was HK\$390,000,000.

As at 31 March 2017, certain financial assets at fair value through profit or loss had been pledged to a bank for the issuance of bank guarantees to a subsidiary of the Company in relation to the Healthway Offer. The bankers' guarantees had not been utilised and expired in June 2017. The charges on these financial assets at fair value through profit or loss had been released accordingly.

### 28. RESTRICTED CASH

As at 31 March 2018, restricted cash balances with a carrying amount of HK\$53,846,000 (2017 — Nil) were placed in a bank account of KUL which is solely earmarked to satisfy the principal and interest repayment for the Unsecured Notes (other than those held by ARL and other concert parties of the TIH Offer).

As at 31 March 2017, certain cash and bank balances, financial assets at fair value through profit or loss and available-for-sale financial assets with carrying amounts of HK\$878,059,000, HK\$628,105,000 and HK\$867,000, respectively were pledged to a bank as security for the bankers' guarantees issued to a subsidiary of the Company in relation to the Healthway Offer. The bankers' guarantees had not been utilised and expired in June 2017. The charges on these restricted cash, financial assets at fair value through profit or loss and available-for-sale financial assets had been released accordingly.

Except for the above, the restricted cash balance also included bank deposits pledged to secure banking facilities made available to the Group and as securities for bankers' guarantees issued in relation to the food businesses segment as set out in Notes 30 and 42 to the financial statements, respectively.





## Notes to the Financial Statements *(continued)*

### 29. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

力寶置業(泰州)有限公司 (Lippo Realty (Taizhou) Limited) (“Lippo Realty”), a then indirect subsidiary of the Company, engaged in the development of a property development project in Taizhou City, Jiangsu Province, mainland China. As at 31 March 2017, the Group had been under negotiations with an interested party on the possible disposal of Lippo Realty and the sale was concluded after the year ended 31 March 2017. In May 2017, the Group entered into agreements for the disposal of its entire interests in Lippo Realty for an aggregate consideration of RMB175,000,000 (equivalent to approximately HK\$202,506,000) (the “TZ Disposal”). Accordingly, the assets and liabilities attributable to Lippo Realty, as included in the Group’s property development business for segment reporting purposes, had been classified as assets and liabilities held for sale and were presented separately in the consolidated statement of financial position as at 31 March 2017. By reference to the sales consideration and the carrying value of Lippo Realty as at 31 March 2017, the impairment loss on properties under development of HK\$22,753,000 was recorded for the year ended 31 March 2017. As at 31 March 2017, cumulative exchange losses on translation of foreign operations relating to Lippo Realty included in other comprehensive income and equity amounted to HK\$19,265,000. The TZ Disposal was completed in August 2017.

The major classes of assets and liabilities classified as held for sale as at 31 March 2017 were as follows:

	Note	2017 HK\$'000
Fixed assets	18	76
Properties under development	24	195,840
Debtors and deposits paid		670
Cash and cash equivalents		465
<b>Total assets classified as held for sale</b>		<b>197,051</b>
Creditors, accruals and deposits received		379
<b>Total liabilities classified as held for sale</b>		<b>379</b>
<b>Net assets</b>		<b>196,672</b>



## Notes to the Financial Statements *(continued)*

### 30. BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Current portion:		
Bank loans:		
Secured <i>(Note (a))</i>	<b>682,836</b>	850,000
Unsecured	<b>38,928</b>	100,000
Other borrowings:		
Unsecured other loan <i>(Note (b))</i>	–	590,000
Obligations under finance leases <i>(Note (d))</i>	<b>502</b>	467
	<b>722,266</b>	1,540,467
Non-current portion:		
Bank loans:		
Secured <i>(Note (a))</i>	<b>801,316</b>	–
Unsecured	<b>481,667</b>	476,667
Other borrowings:		
Unsecured other loan <i>(Note (b))</i>	<b>180,000</b>	–
Unsecured Notes <i>(Note (c))</i>	<b>294,750</b>	–
Obligations under finance leases <i>(Note (d))</i>	<b>861</b>	1,261
	<b>1,758,594</b>	477,928
	<b>2,480,860</b>	2,018,395
Bank and other borrowings by currency:		
Hong Kong dollars	<b>2,145,819</b>	2,016,667
Malaysian Ringgit	<b>38,928</b>	1,728
Singapore dollars	<b>296,113</b>	–
	<b>2,480,860</b>	2,018,395
Bank loans repayable:		
Within one year	<b>721,764</b>	950,000
In the second year	<b>139,340</b>	–
In the third to fifth years, inclusive	<b>1,143,643</b>	476,667
	<b>2,004,747</b>	1,426,667
Other borrowings repayable:		
Within one year	<b>502</b>	590,467
In the second year	<b>180,502</b>	467
In the third to fifth years, inclusive	<b>295,109</b>	794
	<b>476,113</b>	591,728

The Group's bank loans bear interest at floating rates ranging from 1.8% to 4.3% (2017 — 1.5% to 3.0%) per annum.



## Notes to the Financial Statements *(continued)*

### 30. BANK AND OTHER BORROWINGS *(continued)*

Note:

- (a) At the end of the reporting period, the bank loans were secured by:
- (i) shares in certain listed subsidiaries of the Group with market value of HK\$2,935,762,000 (2017 — HK\$3,192,739,000);
  - (ii) first legal mortgages over certain investment properties and land and buildings of the Group with carrying amounts of HK\$323,300,000 (2017 — HK\$1,017,550,000) and HK\$809,626,000 (2017 — HK\$56,030,000), respectively; and
  - (iii) certain bank deposits of the Group with a carrying amount of HK\$1,005,000 (2017 — HK\$1,005,000).
- (b) The Group's other loans represent unsecured loans advanced from Lippo Capital Limited, a holding company of the Company, which bears interest at a rate of 4% (2017 — 3%) per annum.
- (c) The Unsecured Notes were issued by KUL in connection with the TIH Offer at a rate of 2.25% per annum. The Unsecured Notes are redeemable at par on their respective maturity dates in January and February 2021.
- (d) The Group has obligations under finance leases for certain fixed assets. The implicit average interest rate in the leases ranges from 2.5% to 2.6% (2017 — 2.5% to 2.6%) per annum. At the end of the reporting period, the obligations under finance leases were secured by rights to certain leased fixed assets of the Group with a carrying amount of HK\$1,824,000 (2017 — HK\$1,728,000).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2018		2017	
	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000
Within one year	502	574	467	539
In the second year	502	574	467	533
In the third to fifth years, inclusive	359	419	794	989
	<b>1,363</b>	<b>1,567</b>	<b>1,728</b>	<b>2,061</b>
Future finance charges		<b>(204)</b>		<b>(333)</b>
		<b>1,363</b>		<b>1,728</b>

### 31. 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 creditors relating to food businesses, securities broking and securities investment operations. The balance as at 31 March 2017 also included deposits received for the Disposal of HK\$270,630,000. The Disposal was completed in November 2017.

## Notes to the Financial Statements *(continued)*

### 31. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED *(continued)*

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 <i>(Note)</i>	692,219	166,897
Between 31 and 60 days	60,031	53,735
Between 61 and 90 days	13,070	3,857
Between 91 and 180 days	14,212	9,564
Over 180 days	407	1,850
	<b>1,047,074</b>	1,051,824

Note: The balance included payables for settlement of the ELN and various securities investments of HK\$460,970,000 (2017 — HK\$3,533,000) which had been settled within 30 days after the end of the reporting period.

The outstanding trade creditors included 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).

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.

### 32. OTHER FINANCIAL ASSETS/LIABILITIES

	2018		2017	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Non-current portion:				
Derivative financial instrument:				
Put Option <i>(Note (a))</i>	48,826	–	21,437	–
Current portion:				
Derivative financial instruments:				
Forward currency contracts <i>(Note (b))</i>	–	5,802	–	–
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	–	8,711	–	4,520
	–	14,513	–	4,520
	<b>48,826</b>	<b>14,513</b>	21,437	4,520



## Notes to the Financial Statements (continued)

### 32. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Note:

- (a) 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.
- (b) Forward currency contracts are mainly used to hedge the foreign exchange exposure related to the food businesses operation. The notional amount of the outstanding forward currency contracts as at 31 March 2018 amounted to HK\$429,467,000.

### 33. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Provision and accruals HK\$'000	Indefinite life intangible assets HK\$'000	Others HK\$'000	Total HK\$'000
<b>2018</b>							
At 1 April 2017	8,585	38,499	(626)	(5,882)	15,737	8,216	64,529
Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 13)	1,128	(773)	(400)	(2,280)	-	(5,333)	(7,658)
Exchange adjustments	238	5,695	-	(875)	1,203	512	6,773
<b>At 31 March 2018</b>	<b>9,951</b>	<b>43,421</b>	<b>(1,026)</b>	<b>(9,037)</b>	<b>16,940</b>	<b>3,395</b>	<b>63,644</b>
<b>2017</b>							
At 1 April 2016	13,341	40,726	(205)	(8,531)	16,262	14,426	76,019
Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 13)	(4,242)	1,235	(421)	2,125	-	(5,629)	(6,932)
Exchange adjustments	(514)	(3,462)	-	524	(525)	(581)	(4,558)
At 31 March 2017	8,585	38,499	(626)	(5,882)	15,737	8,216	64,529

The following is the analysis of the deferred tax balances of the Group for financial reporting purpose:

	2018 HK\$'000	2017 HK\$'000
Deferred tax assets	(8,326)	(5,223)
Deferred tax liabilities	71,970	69,752
Net deferred tax liabilities	63,644	64,529

## Notes to the Financial Statements *(continued)*

### 33. DEFERRED TAX *(continued)*

The Group has tax losses of HK\$1,695,256,000 (2017 — HK\$1,640,475,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, except for tax losses of HK\$40,786,000 (2017 — HK\$46,586,000) which will expire in one to five years (2017 — one to five years). 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.

The Group also has unrecognised deferred tax assets in respect of unabsorbed capital allowances of HK\$2,644,000 (2017 — HK\$538,000) available for offset future taxable income, subject to compliance with the relevant rules and procedures and agreement of the respective tax authorities. The Group did not recognise those deferred tax assets as it is not probable that taxable profits will be available against which the unabsorbed capital allowances 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.

### 34. SHARE CAPITAL

	2018 HK\$'000	2017 HK\$'000
<b>Issued and fully paid:</b>		
493,154,032 (2017 — 493,154,032) ordinary shares	<b>986,598</b>	986,598

There was no movement in share capital during the years ended 31 March 2018 and 2017.



## Notes to the Financial Statements *(continued)*

### 35. SHARE OPTION SCHEMES

Details of the share option schemes of the Company and its subsidiaries are as follows:

#### (a) Share Option Scheme of the Company adopted on 7 June 2007

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company on 7 June 2007 (the "Adoption Date"), the board of the Directors (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 Person") 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 date 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.

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 43,373,501 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 shares 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.



## Notes to the Financial Statements *(continued)*

### 35. SHARE OPTION SCHEMES *(continued)*

#### **(b) Share Option Scheme of Lippo China Resources Limited adopted on 7 June 2007**

The principal terms of the rules of the share option scheme of Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, adopted and approved by the shareholders of LCR and the Company on 7 June 2007 (the “LCR Share Option Scheme”) are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at the beginning and end of the year, there were no outstanding options granted under the LCR Share Option Scheme to subscribe for shares in LCR. No option of LCR was granted, exercised, cancelled or lapsed during the year. The LCR Share Option Scheme expired in June 2017.

#### **(c) Share Option Scheme of Hongkong Chinese Limited adopted on 7 June 2007**

The principal terms of the rules of the share option scheme of Hongkong Chinese Limited (“HKC”), a listed subsidiary of the Company, adopted and approved by the shareholders of HKC, LCR and the Company on 7 June 2007 (the “HKC Share Option Scheme”) are substantially the same as the terms of the Share Option Scheme as mentioned above.

As at the beginning and end of the year, there were no outstanding options granted under the HKC Share Option Scheme to subscribe for shares of HK\$1.00 each in HKC. No option of HKC was granted, exercised, cancelled or lapsed during the year. The HKC Share Option Scheme expired in June 2017.

#### **(d) Share Option Scheme of Asia Now Resources Corp. adopted on 11 September 2014**

A share option scheme of Asia Now Resources Corp. (“Asia Now”) (the “ANR Share Option Scheme”), which was approved by the shareholders of Asia Now, LCR and the Company, was adopted on 11 September 2014 (the “ANR Adoption Date”). Pursuant to the ANR Share Option Scheme, the board of directors of Asia Now (the “ANR Board”) was entitled at any time to offer to grant an option to subscribe for common shares in the capital of Asia Now (the “ANR Shares”) to any eligible person including director or senior officer of Asia Now, and employee (the “ANR Eligible Employee”) and consultant of Asia Now and its subsidiaries (together, the “ANR Eligible Person”) whom the ANR Board might, in its absolute discretion, select and subject to such conditions as it might think fit. The purpose of the ANR Share Option Scheme was to provide ANR Eligible Persons with the opportunity to acquire proprietary interests in Asia Now and to encourage ANR Eligible Persons to work towards enhancing the value of Asia Now and its shares for the benefit of Asia Now and its shareholders as a whole. The ANR Share Option Scheme was valid and effective for the period of ten years commencing on the ANR Adoption Date. Under the rules of the ANR Share Option Scheme, no further options should be granted on and after the tenth anniversary of the ANR 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 date should not be later than the day last preceding the tenth anniversary of the date of grant. No option might be exercised by an ANR Eligible Employee until such ANR Eligible Employee had been in continuous employment with Asia Now or its subsidiary or had been appointed as a director for a period of one calendar year from the date of such ANR Eligible Employee’s commencement of employment with or appointment by Asia Now or its subsidiary. In respect of an ANR Eligible Person who was not an ANR Eligible Employee, the ANR Board might in its absolute discretion specify such minimum period for which an option must be held before such option could be exercised. In respect of an ANR Eligible Person (whether or not an ANR Eligible Employee), the ANR Board might in its absolute discretion make the exercise of an option conditional on the achievement of minimum performance target(s). No grantee of option was required to pay for the grant of the relevant option.





## Notes to the Financial Statements *(continued)*

### 35. SHARE OPTION SCHEMES *(continued)*

#### (d) Share Option Scheme of Asia Now Resources Corp. adopted on 11 September 2014 *(continued)*

The overall limit on the number of ANR Shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the ANR Share Option Scheme and other share option schemes must not exceed 20% of the ANR Shares in issue on the ANR Adoption Date. The maximum number of ANR Shares in respect of which options might be granted under the ANR Share Option Scheme should not (when aggregated with any ANR Shares subject to grants made after the ANR Adoption Date pursuant to any other share option scheme(s) of Asia Now) exceed 10% of the issued share capital of Asia Now on the ANR Adoption Date (the "ANR Scheme Mandate Limit"). The ANR Scheme Mandate Limit might be renewed at any time subject to prior approval of the Toronto Stock Exchange (as defined below) and shareholders of Asia Now and its relevant holding companies but in any event should not exceed 10% of the issued share capital of Asia Now as at the date of approval of the renewal of the ANR Scheme Mandate Limit. A maximum of 11,332,079 ANR Shares, representing approximately 10% of Asia Now's issued share capital, were reserved for issuance upon exercise of options granted under the ANR Share Option Scheme. The total number of ANR Shares issued and to be issued upon exercise of options granted and to be granted under the ANR Share Option Scheme to any single ANR 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 ANR Shares in issue at the relevant time. The exercise price for the ANR Shares under the ANR Share Option Scheme should be determined by the ANR Board in its absolute discretion but in any event should not be less than the highest of (i) the closing price of the ANR Shares on the date of grant of the option, as stated in the daily quotations sheets of the TSX Venture Exchange of Canada ("TSXVE") or the Toronto Stock Exchange, as applicable, being the stock exchange on which the ANR Shares were primarily listed (the "Toronto Stock Exchange"); (ii) the average closing price of the ANR Shares for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheets of the Toronto Stock Exchange; and (iii) the floor price which meant the last closing price of the ANR Shares on the Toronto Stock Exchange before the date the option was granted less the following maximum discounts based on closing price (and subject, notwithstanding the application of any such maximum discount, to a minimum price per share of C\$0.05):

Closing Price	Discount
Up to C\$0.50	25%
C\$0.51 to C\$2.00	20%
Above C\$2.00	15%

As at the beginning and end of the year, there were no outstanding options granted under the ANR Share Option Scheme to subscribe for ANR Shares. No option of Asia Now was granted, exercised, cancelled or lapsed under the ANR Share Option Scheme during the year.

Following the entering into receivership in August 2015, the listing of Asia Now was transferred from TSXVE to NEX, a separate board of TSXVE which provides a trading forum for listed companies in Canada that have fallen below TSXVE's ongoing financial listing standards. The receivership of Asia Now was completed in April 2016. ANR Shares were subsequently delisted from NEX.



## Notes to the Financial Statements *(continued)*

### 36. RESERVES

The amounts of the Group's reserves and movements therein for the current and the prior years are presented in the consolidated statement of changes in equity on pages 90 and 91.

Included in the retained profits of the Group as at 31 March 2018 was an amount of final dividend for the year then ended of HK\$24,658,000 (2017 — HK\$24,658,000) proposed after the end of the reporting period.

Note:

- (a) Special capital reserve  
Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 23 December 1998 and the subsequent confirmation by the court on 26 January 1999, the then entire amount standing to the credit of the share capital account of the Company of approximately HK\$1,709,202,000 was cancelled on 27 January 1999 (the "Cancellation"). The credit arising from the Cancellation was transferred to a special capital reserve account.
- (b) Hedging reserve  
The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

### 37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of ownership interest held by non-controlling interests:		
HKC	28.4%	34.2%
LCR	25.0%	27.4%
	2018 HK\$'000	2017 HK\$'000
Profit for the year allocated to non-controlling interests:		
HKC	110,247	14,727
LCR	38,980	160,334
Dividends paid to non-controlling interests:		
HKC	27,481	20,476
LCR	114,656	24,473
Accumulated balances of non-controlling interests at the end of the reporting period:		
HKC	3,215,922	3,463,391
LCR	1,631,095	1,707,418



## Notes to the Financial Statements *(continued)*

### 37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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

	HKC	
	2018 HK\$'000	2017 HK\$'000
Revenue	118,532	216,404
Gain on disposal of interests in a joint venture	113,905	–
Share of results of joint ventures	177,251	(13,213)
Total expenses	(83,645)	(158,839)
Profit for the year	326,043	44,352
Total comprehensive income/(loss) for the year	1,136,382	(327,579)
Current assets	1,032,915	1,589,461
Non-current assets	11,225,489	10,326,058
Current liabilities	(530,491)	(1,363,029)
Non-current liabilities	(496,901)	(497,072)
Net cash flows from operating activities	18,265	169,214
Net cash flows from/(used in) investing activities	25,662	(894,177)
Net cash flows from/(used in) financing activities	(63,484)	378,207
Net decrease in cash and cash equivalents	(19,557)	(346,756)
	LCR	
	2018 HK\$'000	2017 HK\$'000
Revenue	2,400,637	2,461,337
Total expenses	(2,445,156)	(2,023,354)
Profit/(Loss) for the year	(44,519)	437,983
Total comprehensive income for the year	185,616	389,162
Current assets	3,919,156	4,365,712
Non-current assets	3,362,736	2,148,988
Current liabilities	(1,887,409)	(1,854,142)
Non-current liabilities	(822,158)	(71,674)
Net cash flows used in operating activities	(353,926)	(3,177)
Net cash flows from/(used in) investing activities	(641,907)	112,895
Net cash flows from/(used in) financing activities	591,447	(473,184)
Net decrease in cash and cash equivalents	(404,386)	(363,466)

## Notes to the Financial Statements *(continued)*

### 38. 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 non-wholly owned subsidiaries 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)
<b>Total identifiable net assets at fair value</b>	<b>2,228</b>
Fair value of the pre-existing interest in the acquiree	(1,114)
Gain on bargain purchase recognised in other operating expenses in the consolidated statement of profit or loss <i>(Note 6)</i>	(43)
<b>Satisfied by cash</b>	<b>1,071</b>

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
<b>Net inflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>3,834</b>

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\$2,670,387,000 and HK\$429,787,000, respectively.



## Notes to the Financial Statements *(continued)*

### 39. DISPOSAL OF SUBSIDIARIES

	2018 HK\$'000	2017 HK\$'000
Net assets disposed of:		
Fixed assets	79	39,448
Properties under development	203,832	–
Inventories	–	34
Debtors, prepayments and deposits	–	981
Cash and cash equivalents	338	3,502
Creditors, accruals and deposits received	(338)	(7,681)
Deferred tax liabilities	–	(1,237)
Non-controlling interests	–	4,298
	<b>203,911</b>	39,345
Release of cumulative exchange differences on translation of foreign operations	13,155	(1,570)
	<b>217,066</b>	37,775
Gain/(Loss) on disposal	<b>(14,560)</b>	331,930
	<b>202,506</b>	369,705
Satisfied by:		
Cash consideration received	182,091	369,705
Other receivables	20,415	–
	<b>202,506</b>	369,705

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

	2018 HK\$'000	2017 HK\$'000
Cash consideration received	182,091	369,705
Cash and cash equivalents disposed of	(338)	(3,502)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>181,753</b>	366,203



## Notes to the Financial Statements *(continued)*

### 40. CHANGES IN NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL

Major changes in non-controlling interests are as follows:

#### 2018

- (a) During the year, the Company acquired an aggregate of 114,373,650 shares in HKC from third party investors at an aggregate consideration of HK\$148,686,000. As a result, the Group's effective interest in HKC was increased from approximately 65.84% as at 31 March 2017 to approximately 71.57% as at 31 March 2018.
- (b) During the year, the Company acquired an aggregate of 220,215,000 shares in LCR from third party investors at an aggregate consideration of HK\$52,852,000. As a result, the Group's effective interest in LCR was increased from approximately 72.60% as at 31 March 2017 to approximately 74.99% as at 31 March 2018.
- (c) The cash offer for the issued and paid-up ordinary shares in the capital of Auric Pacific Group Limited ("Auric", a subsidiary of the Company) (the "Auric Offer") by Silver Creek Capital Pte. Ltd., of which Dr. Stephen Riady, an executive Director of the Company, is a majority shareholder, closed on 7 April 2017. Auric was subsequently delisted from the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 April 2017. The Auric Offer did not extend to the Group. In July 2017, Auric announced that it proposed to cancel all the shares in Auric held by its minority shareholders, representing approximately 2% of all the then outstanding Auric's shares in issue, by way of a selective capital reduction exercise in consideration of S\$1.65 per share (the "Selective Capital Reduction") in cash amounting to a total of approximately HK\$24,588,000. The Selective Capital Reduction became effective on 16 November 2017 and the Group's equity interest in Auric was increased from 49.28% to 50.30%.

As result of the above transactions, the Group recognised a decrease in non-controlling interests of HK\$740,104,000 and an increase in retained profits of HK\$513,978,000.

#### 2017

During the year, the Company acquired an aggregate of 125,273,000 shares in LCR from third party investors at an aggregate consideration of HK\$28,779,000. As a result, the Group's effective interest in LCR was increased from approximately 71.24% as at 31 March 2016 to approximately 72.60% as at 31 March 2017. The Group recognised a decrease in non-controlling interests of HK\$54,734,000 and an increase in retained profits of HK\$25,955,000.



## Notes to the Financial Statements *(continued)*

### 41. 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		275,064	468,276
Adjustments for:			
Share of results of associates		10,132	2,567
Share of results of joint ventures		(133,997)	12,081
Loss/(Gain) on disposal of:			
Fixed assets	6	(21,708)	922
Subsidiaries	39	14,560	(331,930)
Joint ventures		(159,576)	(205)
A joint operation	6	105	–
Available-for-sale financial assets	6	(7,767)	(1,319)
Loss/(Gain) on deemed disposal of associates	6	(4,859)	785
Gain on derecognition of available-for-sale financial assets	6	(12,919)	–
Gain on bargain purchase	6	–	(43)
Provisions/(Write-back of provisions) for impairment losses on:			
Intangible assets	6	–	11,976
Exploration and evaluation assets	6	–	731
Fixed assets	6	(13,227)	22,236
An associate	6	–	102
A joint venture	6	(465)	(2,738)
Available-for-sale financial assets		23,895	15,802
Properties under development		143	22,888
Properties held for sale	6	(195)	434
Inventories	6	7,774	24,798
Loans and receivables		(3,183)	69,262
Fixed assets written off	6	3,582	863
Realised translation losses reclassified to the statement of profit or loss relating to:			
Liquidation of foreign operations	6	14,805	–
Settlement of intercompany dividend	6	10,054	–
Net fair value loss/(gain) on financial instruments at fair value through profit or loss		15,561	(206,978)
Net fair value gain on investment properties		(75,127)	(61,620)
Finance costs		66,680	43,685
Interest income	6	(67,073)	(92,505)
Dividend income	5	(24,943)	(24,830)
Depreciation	6	74,799	78,090
Amortisation of intangible assets	6	104	7,715
		(7,781)	61,045
Decrease in properties held for sale		10,004	36,862
Increase in properties under development		(200)	(1,572)
Increase in inventories		(54,660)	(21,747)
Increase in loans and advances		(2,102)	(17,271)
Decrease/(Increase) in debtors, prepayments and deposits		(16,955)	117,693
Decrease/(Increase) in financial instruments at fair value through profit or loss		(772,748)	118,112
Decrease/(Increase) in client trust bank balances		553,472	(549,523)
Decrease in assets classified as held for sale		173	–
Increase/(Decrease) in creditors, accruals and deposits received		(64,584)	492,882
Increase/(Decrease) in other financial liabilities		834	(130)
Decrease in liabilities classified as held for sale		(55)	–
Cash generated from/(used in) operations		(354,602)	236,351

## Notes to the Financial Statements *(continued)*

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

#### (b) Major non-cash transactions

Save as disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

#### 2018

- (i) In November 2017, the deposits received in the prior financial year for the Disposal of HK\$270,630,000 was derecognised upon completion of the Disposal.
- (ii) During the year ended 31 March 2018, the Group acquired equity interests in Healthway in various tranches. Available-for-sale financial assets and financial assets at fair value through profit or loss with carrying amounts of HK\$388,082,000 and HK\$40,204,000, respectively, were reclassified to interests in associates upon completion of the Healthway Offer in May 2017. Further details of the Healthway Offer are disclosed in Note 20 to the financial statements.
- (iii) During the year ended 31 March 2018, the Group issued Unsecured Notes of HK\$294,750,000 and received the Promissory Note of HK\$37,956,000 in connection with the TIH Offer. Further details of the TIH Offer are disclosed in Note 20 to the financial statements.

#### 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 45(e) 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	2,018,395	4,435	2,022,830
Changes from financing cash flows:			
Finance costs paid	(7,580)	(62,804)	(70,384)
Drawdown of bank and other borrowings	2,317,221	–	2,317,221
Repayment of bank and other borrowings	(2,149,567)	–	(2,149,567)
Repayment of obligations under finance leases	(574)	–	(574)
Total changes from financing cash flows	159,500	(62,804)	96,696
Issuance of Unsecured Notes ( <i>Note 20</i> )	294,750	–	294,750
Exchange adjustments	1,410	27	1,437
Finance costs charged to the statement of profit or loss	6,805	59,875	66,680
<b>At 31 March 2018</b>	<b>2,480,860</b>	<b>1,533</b>	<b>2,482,393</b>



## Notes to the Financial Statements *(continued)*

### 42. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the financial statements, the Group had the following contingent liabilities at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Secured bankers' guarantee <i>(Note (a))</i>	20,116	19,181
Unsecured bankers' guarantee <i>(Note (b))</i>	14,792	14,163
	<b>34,908</b>	33,344

Note:

- (a) The Group had bankers' guarantees issued in lieu of rental and utility deposits for the premises used in the food businesses segment. As at 31 March 2018, fixed deposits of approximately HK\$12,113,000 (2017 — HK\$10,363,000) were pledged to banks as security for bankers' guarantees issued.
- (b) The Group had bankers' guarantees issued to suppliers in the ordinary course of business and in lieu of rental and utility deposits for the premises used in the food businesses segment.

### 43. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases certain properties under operating lease arrangements with leases negotiated for terms ranging from one to seven 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. Besides, the Group licenses the use of food and beverage stalls within food courts to individual third party tenants and a subsidiary company. Such licences are in general for a period of two to three years and are not cancellable. In the course of a financial year, there may be terminations and renewals of such licences and the Group has accounted for the licence fee in respect of the non-cancellable leases as at the end of the reporting period. Licences that expired and not renewed during the financial year were not accounted for. Some of the leases provide for variable rent. During the year, the contingent rents recognised as income amounted to HK\$15,663,000 (2017 — HK\$22,228,000).

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	96,345	100,385
In the second to fifth years, inclusive	41,630	37,381
After five years	—	643
	<b>137,975</b>	138,409



## Notes to the Financial Statements *(continued)*

### 43. OPERATING LEASE ARRANGEMENTS *(continued)*

#### (b) As lessee

The Group leases certain properties and vehicles under operating lease agreements which are non-cancellable. The leases expire on various dates until 15 December 2032 and 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 falling due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	179,724	201,490
In the second to fifth years, inclusive	121,117	146,961
After five years	15,367	34,149
	<b>316,208</b>	382,600

### 44. COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Commitments in respect of properties, plant and equipment and properties under development:		
Contracted, but not provided for	12,537	76,224
Other commitments:		
Contracted, but not provided for ( <i>Note</i> )	88,506	561,438
	<b>101,043</b>	637,662

*Note:* The balance included the Group's commitments for available-for-sale financial assets of approximately HK\$86,006,000 (2017 — HK\$46,771,000). The balance as at 31 March 2017 also included commitment in relation to the Healthway Offer of approximately HK\$506,116,000. The Healthway Offer was closed on 12 May 2017.



## Notes to the Financial Statements *(continued)*

### 45. 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 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.
- (b) During the year, the Group paid rental expenses (including service charges) of HK\$3,559,000 (2017 — HK\$3,465,000) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 14 July 2020. The Group expects the total future minimum lease payables for the years ending 31 March 2019, 31 March 2020 and 31 March 2021 to be approximately HK\$3,349,000, HK\$3,366,000 and HK\$982,000, respectively.
- (c) During the year, the Group paid rental expenses (including service charges) of HK\$2,810,000 (2017 — Nil) to a joint venture of the Group. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 30 June 2020. The Group expects the total future minimum lease payables for the years ending 31 March 2019, 31 March 2020 and 31 March 2021 to be approximately HK\$2,724,000, HK\$2,724,000 and HK\$681,000, respectively.
- (d) 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.
- (e) During the year ended 31 March 2017, certain subsidiaries of LAAPL (the “LAAPL Subsidiaries”), joint ventures of the Group and Hennessy Holdings Limited, a wholly-owned subsidiary 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 SGX-ST.

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

- (f) As at 31 March 2018, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 20, 21, 23 and 31 to the financial statements.
- (g) The key management personnel of the Group are its Directors. Details of the Directors’ emoluments are disclosed in Note 7 to the financial statements.

The above transactions were not continuing connected transactions or connected transactions as defined under Chapter 14A of the Listing Rules which were subject to the disclosure requirements under the Listing Rules.



## Notes to the Financial Statements *(continued)*

### 46. 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					Total HK\$'000
	Held for trading HK\$'000	Designated as such upon initial recognition HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Derivative financial instrument HK\$'000	
<b>At 31 March 2018</b>						
Available-for-sale financial assets	–	–	–	396,228	–	396,228
Financial assets at fair value through profit or loss	1,369,221	376,407	–	–	–	1,745,628
Loans and advances	–	–	20,833	–	–	20,833
Financial assets included in debtors, prepayments and deposits	–	–	564,039	–	–	564,039
Other financial asset	–	–	–	–	48,826	48,826
Client trust bank balances	–	–	300,909	–	–	300,909
Restricted cash	–	–	67,032	–	–	67,032
Time deposits with original maturity of more than three months	–	–	77,812	–	–	77,812
Cash and cash equivalents	–	–	1,797,328	–	–	1,797,328
	<b>1,369,221</b>	<b>376,407</b>	<b>2,827,953</b>	<b>396,228</b>	<b>48,826</b>	<b>5,018,635</b>
<b>At 31 March 2017</b>						
Available-for-sale financial assets	–	–	–	314,515	–	314,515
Financial assets at fair value through profit or loss	1,037,298	–	–	–	–	1,037,298
Loans and advances	–	–	39,239	–	–	39,239
Financial assets included in debtors, prepayments and deposits	–	–	486,043	–	–	486,043
Other financial asset	–	–	–	–	21,437	21,437
Client trust bank balances	–	–	845,921	–	–	845,921
Restricted cash	–	–	889,489	–	–	889,489
Time deposits with original maturity of more than three months	–	–	45,434	–	–	45,434
Cash and cash equivalents	–	–	2,136,919	–	–	2,136,919
	<b>1,037,298</b>	<b>–</b>	<b>4,443,045</b>	<b>314,515</b>	<b>21,437</b>	<b>5,816,295</b>



## Notes to the Financial Statements (continued)

### 46. 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 fair value through profit or loss designated as such upon initial recognition HK\$'000	Financial liabilities at amortised cost HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
<b>At 31 March 2018</b>				
Bank and other borrowings	–	2,480,860	–	2,480,860
Financial liabilities included in creditors, accruals and deposits received	–	1,375,186	–	1,375,186
Other financial liabilities	8,711	–	5,802	14,513
	<b>8,711</b>	<b>3,856,046</b>	<b>5,802</b>	<b>3,870,559</b>
<b>At 31 March 2017</b>				
Bank and other borrowings	–	2,018,395	–	2,018,395
Financial liabilities included in creditors, accruals and deposits received	–	1,418,407	–	1,418,407
Other financial liabilities	4,520	–	–	4,520
	<b>4,520</b>	<b>3,436,802</b>	<b>–</b>	<b>3,441,322</b>

### 47. 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 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets	204,631	225,460	204,631	225,460
Financial assets at fair value through profit or loss	1,745,628	1,037,298	1,745,628	1,037,298
Other financial asset	48,826	21,437	48,826	21,437
	<b>1,999,085</b>	<b>1,284,195</b>	<b>1,999,085</b>	<b>1,284,195</b>
<b>Financial liabilities</b>				
Bank and other borrowings	294,750	–	300,950	–
Other financial liabilities	14,513	4,520	14,513	4,520
	<b>309,263</b>	<b>4,520</b>	<b>315,463</b>	<b>4,520</b>

## Notes to the Financial Statements *(continued)*

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

Management has assessed that the fair values of cash and cash equivalents, time deposits with original maturity of more than three months, restricted cash, client trust bank balances, financial assets included in debtors, prepayments and deposits, loans and advances, unsecured other loan 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 loans and obligations under finance leases 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.

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, debt securities and investment funds 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\$4,565,000 (2017 — HK\$3,671,000).

The fair value of the equity linked notes is determined by the binomial model, which represents different possible paths that might be followed by the stock price over the life of the equity linked notes.

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.



## Notes to the Financial Statements *(continued)*

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

The fair value of financial liabilities at fair value through profit or loss designated as such upon initial recognition within Level 2 of fair value hierarchy is determined by reference to the pro-rata share held by external parties of the net asset value of certain exchange traded fund, which is a subsidiary of the Group.

The fair values of the forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations.

The fair values of the Unsecured Notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the Unsecured Notes as at 31 March 2018 was assessed to be insignificant.

Below is a summary of significant unobservable inputs to the valuation of the equity linked notes and 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
Financial assets at fair value through profit or loss:				
Equity linked notes	Binomial model	Volatility of underlying shares	38.0% (2017 — N/A)	When the volatility of the underlying shares increases/decreases 5% (2017 — N/A), the fair value will be decreased/increased by HK\$2,509,000 and HK\$2,394,000 (2017 — N/A), respectively
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)*

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

#### Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>At 31 March 2018</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets:				
Equity securities	38,604	–	–	38,604
Debt securities	–	20,937	–	20,937
Investment funds	–	–	145,090	145,090
Financial assets at fair value through profit or loss:				
Equity securities	808,562	–	–	808,562
Debt securities	195,965	–	–	195,965
Investment funds	355,580	2,040	7,074	364,694
Equity linked notes	–	–	376,407	376,407
Other financial asset:				
Derivative financial instrument	–	–	48,826	48,826
	<b>1,398,711</b>	<b>22,977</b>	<b>577,397</b>	<b>1,999,085</b>
<b>Liabilities measured at fair value</b>				
Other financial liabilities:				
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	–	8,711	–	8,711
Foreign currency contracts	–	5,802	–	5,802
	–	<b>14,513</b>	–	<b>14,513</b>
<b>At 31 March 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets:				
Equity securities	92,664	–	–	92,664
Debt securities	–	18,730	–	18,730
Investment funds	–	–	114,066	114,066
Financial assets at fair value through profit or loss:				
Equity securities	434,863	–	–	434,863
Debt securities	206,188	–	–	206,188
Investment funds	385,881	2,070	8,296	396,247
Other financial asset:				
Derivative financial instrument	–	–	21,437	21,437
	<b>1,119,596</b>	<b>20,800</b>	<b>143,799</b>	<b>1,284,195</b>
<b>Liabilities measured at fair value</b>				
Other financial liabilities:				
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	–	4,520	–	4,520



## Notes to the Financial Statements *(continued)*

### 47. 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	Equity linked notes HK\$'000	Other financial asset HK\$'000
<b>2018</b>				
At 1 April 2017	114,066	8,296	–	21,437
Total gains/(losses) recognised in the statement of profit or loss	–	(212)	(5,520)	27,389
Total gains recognised in other comprehensive income	8,585	–	–	–
Additions	23,923	–	381,927	–
Return of capital	(1,496)	–	–	–
Disposals	–	(1,010)	–	–
Exchange adjustments	12	–	–	–
<b>At 31 March 2018</b>	<b>145,090</b>	<b>7,074</b>	<b>376,407</b>	<b>48,826</b>
<b>2017</b>				
At 1 April 2016	87,524	8,285	–	25,295
Total gains/(losses) recognised in the statement of profit or loss	–	1,523	–	(3,858)
Total gains recognised in other comprehensive income	6,003	–	–	–
Additions	36,278	–	–	–
Return of capital	(15,305)	–	–	–
Disposals	(428)	(1,527)	–	–
Exchange adjustments	(6)	15	–	–
At 31 March 2017	114,066	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.

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>At 31 March 2018</b>				
<b>Liabilities for which fair values are disclosed</b>				
Bank and other borrowings:				
Unsecured Notes	–	–	300,950	300,950

## Notes to the Financial Statements *(continued)*

### 48. 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, food businesses 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.

In addition, the Group's exposure to credit risk for its food businesses arises primarily from trade and other debtors. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

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
<b>By geographical area:</b>		
Hong Kong	19,164	19,746
Mainland China	84	178
Republic of Singapore	250,650	272,784
Malaysia	133,150	95,029
United States of America	18	7,045
Others	12,885	12,794
	<b>415,951</b>	407,576

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



## Notes to the Financial Statements *(continued)*

### 48. 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, approximately 29% (2017 — 76%) of the Group's debts would mature in less than one year based on the carrying values of bank and other borrowings.

An analysis of the maturity profile of 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
<b>At 31 March 2018</b>					
Bank and other borrowings	–	302,905	439,677	1,892,551	2,635,133
Creditors, accruals and deposits received	275,371	799,934	299,881	–	1,375,186
Other financial liabilities	8,711	90	5,712	–	14,513
Bankers' guarantee	–	4,606	15,815	14,487	34,908
	<b>284,082</b>	<b>1,107,535</b>	<b>761,085</b>	<b>1,907,038</b>	<b>4,059,740</b>
<b>At 31 March 2017</b>					
Bank and other borrowings	–	417,909	1,155,423	529,557	2,102,889
Creditors, accruals and deposits received	819,933	260,932	337,542	–	1,418,407
Other financial liabilities	4,520	–	–	–	4,520
Bankers' guarantee	–	819	9,254	23,271	33,344
	<b>824,453</b>	<b>679,660</b>	<b>1,502,219</b>	<b>552,828</b>	<b>3,559,160</b>

#### (c) Interest rate risk

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

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



## Notes to the Financial Statements *(continued)*

### 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### (c) Interest rate risk *(continued)*

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

	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	(8,917)	(8,917)	+50	(4,358)	(4,358)
United States dollars	+50	(4,581)	(4,581)	+50	(3,273)	(3,273)
Singapore dollars	+50	1,597	1,597	+50	2,626	2,626
Renminbi	+50	1,072	1,072	+50	1,309	1,309
Hong Kong dollars	-50	8,917	8,917	-50	4,358	4,358
United States dollars	-50	4,961	4,961	-50	3,696	3,696
Singapore dollars	-50	(1,597)	(1,597)	-50	(2,626)	(2,626)
Renminbi	-50	(1,072)	(1,072)	-50	(1,309)	(1,309)

#### (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 Group uses forward currency contracts to mitigate the currency exposures on transactions under the food businesses segment. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward currency contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group does not apply hedge accounting.



## Notes to the Financial Statements *(continued)*

### 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### (d) Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States 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 HK\$'000	2017 HK\$'000
United States dollars against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	<b>3,362</b>	14,132
— weakened 3% (2017 — 3%)	<b>(3,362)</b>	(14,132)
Singapore dollars against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	<b>5,859</b>	7,293
— weakened 3% (2017 — 3%)	<b>(5,859)</b>	(7,293)
Renminbi against Hong Kong dollars		
— strengthened 3% (2017 — 3%)	<b>2,536</b>	99
— weakened 3% (2017 — 3%)	<b>(2,536)</b>	(99)

At the end of the reporting period, the total cash and bank balances of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK\$329,963,000 (2017 — HK\$349,977,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

#### (e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets classified as available-for-sale financial assets (Note 22) and financial assets at fair value through profit or loss (Note 27) as at 31 March 2018. The Group's listed financial assets are mainly listed on the Hong Kong, Singapore, New York and London stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 March 2018	High/Low 2018	31 March 2017	High/Low 2017
Hong Kong — Hang Seng Index	<b>30,093</b>	<b>33,484/23,724</b>	24,112	24,657/19,595
Republic of Singapore — Straits Times Index	<b>3,188</b>	<b>3,612/3,114</b>	3,175	3,188/2,703
New York — NYSE Composite Index	<b>12,452</b>	<b>13,637/11,325</b>	11,520	11,688/9,919
London — FTSE All-Share Index	<b>3,894</b>	<b>4,277/3,799</b>	3,990	4,048/3,169

## Notes to the Financial Statements *(continued)*

### 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

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			
	3% increase		3% decrease		3% increase		3% decrease	
	Increase in profit before tax HK\$'000	Increase in equity* HK\$'000	Decrease in profit before tax HK\$'000	Decrease in equity* HK\$'000	Increase in profit before tax HK\$'000	Increase in equity* HK\$'000	Decrease in profit before tax HK\$'000	Decrease in equity* HK\$'000
<b>Available-for-sale financial assets</b>								
Hong Kong	-	255	-	(255)	-	-	-	-
Republic of Singapore	-	903	-	(903)	-	2,779	-	(2,779)
United States of America	-	8	-	(8)	-	54	-	(54)
Global and others	-	4,345	-	(4,345)	-	3,369	-	(3,369)
	-	5,511	-	(5,511)	-	6,202	-	(6,202)
<b>Financial assets at fair value through profit or loss</b>								
Hong Kong	12,218	-	(13,341)	-	3,342	-	(3,342)	-
Republic of Singapore	8,265	-	(8,265)	-	9,694	-	(9,694)	-
United States of America	10,098	-	(10,098)	-	4,688	-	(4,688)	-
Global and others	8,120	-	(8,120)	-	7,111	-	(7,111)	-
	38,701	-	(39,824)	-	24,835	-	(24,835)	-

\* Excluding retained profits



## Notes to the Financial Statements *(continued)*

### 48. 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, net of non-controlling interests, 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 <i>(Note 30)</i>	<b>2,480,860</b>	2,018,395
Less: Non-controlling interests in bank and other borrowings	<b>(495,587)</b>	(455,873)
Bank and other borrowings, net of non-controlling interests	<b>1,985,273</b>	1,562,522
Equity attributable to equity holders of the Company	<b>10,340,193</b>	9,043,325
Gearing ratio	<b>19.2%</b>	17.3%



## Notes to the Financial Statements *(continued)*

### 49. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Group had the following material events after the reporting period:

- (a) On 10 May 2018, the Group subscribed for the equity linked notes which were linked to Tencent Shares with an aggregate nominal value of approximately HK\$200,000,000 at a consideration of HK\$196,780,000. Such equity linked notes matured in June 2018 and the Group would recognise a gain on financial assets at fair value through profit or loss of HK\$3,220,000 in the statement of profit or loss for the year ending 31 March 2019.
- (b) On 24 May 2018, the Group subscribed for the reverse convertible notes which were linked to Tencent Shares with an aggregate principal amount of HK\$78,000,000 at a consideration of HK\$77,220,000 and the Group will receive 199,992 Tencent Shares on the maturity date. In addition, subsequent to the end of the reporting period, the Group further acquired a total of 281,700 Tencent Shares through a series of trades conducted on the open market for a total consideration of approximately HK\$113,381,000, before expenses. The Tencent Shares are accounted for by the Group as financial assets at fair value through profit or loss.
- (c) On 21 June 2018, the Group subscribed for the equity linked notes which were linked to Tencent Shares with an aggregate nominal value of approximately HK\$157,000,000 at a consideration of HK\$155,116,000. These investments have not matured and are accounted for by the Group as financial assets at fair value through profit or loss.
- (d) On 28 May 2018, the Group sold the covered call options in relation to 386,000 Tencent Shares (the "Options") for a notional amount of approximately HK\$161,099,000 at a premium of HK\$1,877,000. The Options will expire on 28 June 2018. The fair value of the Options are accounted for by the Group as derivative financial instruments.
- (e) Following the purported termination by Incheon Metropolitan City Development Corporation ("IMCD", formerly known as Incheon Development & Transformation Corporation) of the land supply agreement entered into between IMCD and MIDAN City Development Co., Ltd. ("MCDC"), in which the Group has an approximately 38.54% equity interest, in respect of a tract of land located at 326 Woonbook-dong, Jung-gu, Incheon, Republic of Korea (the "Land") in September 2017, MCDC purportedly lost the rights to the Land. The Group has engaged legal advisors in the Republic of Korea (the "Korean Counsel") to provide legal advice on the suitable course of action to be taken by the Group in relation to its investment in MCDC. On 27 March 2018, the Korean Counsel submitted, on behalf of a wholly-owned subsidiary of the Company as one of the claimants (together with other Korean legal advisors submitting the same on behalf of other shareholders of MCDC, as other claimants), the Request for Arbitration (the "Request") to the International Chamber of Commerce International Court of Arbitration ("ICC Arbitration Court") for the purpose of commencing the arbitration proceeding against IMCD. On 8 June 2018, IMCD submitted its Answer to the Request to the ICC Arbitration Court (the "IMCD's Answer"). In IMCD's Answer, apart from rejecting the claims set out in the Request, IMCD asserted a counterclaim against the above subsidiary of the Company, alleging breach by it of certain development and financing-related obligations. The Group has been advised by the Korean Counsel that based on information to date, the counterclaim as set out in IMCD's Answer does not appear to have a cogent basis. It is currently expected that the above events shall not have any material effect on the financial position of the Group.

### 50. COMPARATIVE FIGURES

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





## Notes to the Financial Statements *(continued)*

### 51. 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
<b>Non-current assets</b>		
Fixed assets	224	388
Interests in subsidiaries	3,521,965	3,335,789
	<b>3,522,189</b>	3,336,177
<b>Current assets</b>		
Debtors, prepayments and deposits	816	3,079
Cash and cash equivalents	47,715	52,652
	<b>48,531</b>	55,731
<b>Current liabilities</b>		
Bank and other borrowings	94,069	475,000
Creditors, accruals and deposits received	2,527	2,701
	<b>96,596</b>	477,701
<b>Net current liabilities</b>	<b>(48,065)</b>	(421,970)
<b>Total assets less current liabilities</b>	<b>3,474,124</b>	2,914,207
<b>Non-current liabilities</b>		
Bank and other borrowings	543,321	–
<b>Net assets</b>	<b>2,930,803</b>	2,914,207
<b>Equity</b>		
Share capital	984,440	984,440
Reserves <i>(Note)</i>	1,946,363	1,929,767
	<b>2,930,803</b>	2,914,207

**John Luen Wai Lee**  
Director

**Stephen Riady**  
Director



## Notes to the Financial Statements *(continued)*

### 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Special capital reserve <i>(Note 36(a))</i> HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>2018</b>				
At 1 April 2017	1,709,202	–	220,565	1,929,767
Profit for the year and total comprehensive income for the year	–	–	56,049	56,049
2016/2017 final dividend declared and paid to shareholders of the Company	–	–	(24,658)	(24,658)
2017/2018 interim dividend declared and paid to shareholders of the Company	–	–	(14,795)	(14,795)
<b>At 31 March 2018</b>	<b>1,709,202</b>	<b>–</b>	<b>237,161</b>	<b>1,946,363</b>
<b>2017</b>				
At 1 April 2016	1,709,202	–	221,804	1,931,006
Profit for the year	–	–	62,871	62,871
Other comprehensive income/(loss) for the year:				
Fair value loss on available-for-sale financial assets	–	(1,200)	–	(1,200)
Reclassification adjustment for impairment on available-for-sale financial assets	–	1,200	–	1,200
Total comprehensive income for the year	–	–	62,871	62,871
2015/2016 final dividend declared and paid to shareholders of the Company	–	–	(49,315)	(49,315)
2016/2017 interim dividend declared and paid to shareholders of the Company	–	–	(14,795)	(14,795)
At 31 March 2017	1,709,202	–	220,565	1,929,767

Included in the retained profits of the Company as at 31 March 2018 was an amount of final dividend for the year then ended of HK\$24,658,000 (2017 — HK\$24,658,000) proposed after the end of the reporting period.

### 52. 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)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Acematic Limited	British Virgin Islands	US\$1	100	100	Investment holding
Lippo Finance Holdings Limited	British Virgin Islands	US\$50,000	100	100	Investment holding
Creaworld (Holdings) Company Limited	Hong Kong	HK\$2	–	100	Investment holding
福建華陽湄洲開發有限公司 (Fujian Creaworld Meizhou Development Co., Ltd.)** — wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	HK\$105,450,000*	–	100	Property investment and property development
Hennessy Holdings Limited	British Virgin Islands	US\$1	–	100	Investment holding
Lippo Korea Holdings Pte. Limited**	Republic of Singapore	S\$2	–	100	Investment holding
Lippo Investments Management Limited	Hong Kong	HK\$67,600,000	–	100	Fund management
Skyscraper Realty Limited	British Virgin Islands	US\$10	–	100	Investment holding
Lippo China Resources Limited (listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	HK\$1,704,031,044.03	–	74.99	Investment holding
Admiralty Development Limited	Hong Kong	HK\$446,767,129	–	74.99	Property investment
Ally Wise Capital Limited	British Virgin Islands	US\$1	–	74.99	Investment
Apexwin Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Asia Now Resources Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Broadwell Asia Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Cajan Enterprises Limited	British Virgin Islands	US\$1	–	74.99	Investment holding



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Capital Wave Limited	British Virgin Islands	US\$1	–	74.99	Investment
Caross Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Carvio Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Castar Assets Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Chalton Assets Limited	British Virgin Islands	US\$1	–	74.99	Property investment
China Chance Investments Limited	Hong Kong	HK\$10	–	74.99	Investment holding
China Gold Pte. Ltd.**	Republic of Singapore	S\$1	–	74.99	Investment holding
China Pacific Electric Limited	British Virgin Islands	US\$100	–	74.99	Investment holding
Continental Equity Inc.	British Virgin Islands	US\$1	–	74.99	Investment
DXS Capital Limited	British Virgin Islands	US\$100	–	74.99	Investment holding
DXS Capital (U.S.) Limited	United States of America	US\$1.221	–	74.99	Investment holding
Direct Union Limited	British Virgin Islands	US\$1	–	74.99	Investment
Dragon Board Holdings Limited	British Virgin Islands	S\$1	–	74.99	Investment holding
Dukestown Sp. z o.o.**	Poland	PLN5,000	–	74.99	Property investment
Energetic Holdings Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Ethnos Ltd.**	Israel	NIS100	–	74.99	Property investment
Fortune Finance Investment Limited	British Virgin Islands	US\$1	–	74.99	Investment
Fortune Star Asia Limited	Hong Kong	HK\$1	–	74.99	Investment



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>	Principal activities
Frontop Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
福建莆田忠信物業管理有限公司 (Fujian Putian Zhong Xin Property Management Limited)** — wholly foreign-owned re-invested enterprise <sup>##</sup>	People's Republic of China	RMB810,000*	– 74.99	Property management
福州力寶商業顧問有限公司 (Fuzhou Lippo Commercial Consultancy Limited)** — wholly foreign-owned enterprise <sup>##</sup>	People's Republic of China	HK\$100,000	– 74.99	Real estate leasing and agency services, and consultancy services
Gabarro Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
Gain Motion International Limited	Hong Kong	HK\$1	– 74.99	Investment
Gentle Care Pte. Ltd.**	Republic of Singapore	S\$1	– 74.99	Investment holding
Globe Energy Development Limited**	Hong Kong	HK\$1	– 74.99	Property investment
Golden Rain Holdings Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
Golden Sunshine Worldwide Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
Golden Super Holdings Limited	British Virgin Islands	US\$1	– 74.99	Investment
Goldmax Pacific Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
Gothic Investments Limited	Samoa	US\$1	– 74.99	Property investment
Grandbeam Limited	Hong Kong	HK\$1	– 74.99	Investment holding
Grand Vista Limited	British Virgin Islands	US\$1	– 74.99	Investment holding
HKCL Investments Pte. Ltd.**	Republic of Singapore	S\$2	– 74.99	Property development
Hongkong China Treasury Limited	British Virgin Islands/ Hong Kong	US\$1	– 74.99	Securities investment



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration/ and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Integral Fortress Limited	British Virgin Islands	US\$1	–	74.99	Investment
Istan Assets Limited	British Virgin Islands	US\$1	–	74.99	Property investment
JB Property Holdings Pte. Ltd.**	Republic of Singapore	S\$1	–	74.99	Property investment
Kaiser Union Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Keytime Holdings Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Kingz Ltd	British Virgin Islands	US\$1	–	74.99	Investment holding
LCR Ltd.	British Virgin Islands	US\$1	–	74.99	Intellectual property
LCR Management Limited	Hong Kong	HK\$1	–	74.99	Management services
Laurel Century Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Liberty Town Holding Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Property investment
Lippo Consortium Pte. Limited**	Republic of Singapore	S\$2	–	74.99	Property development
Lippo Energy Group Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Lippo Group International Pte. Limited**	Republic of Singapore	S\$2	–	74.99	Investment holding
Lippo Property Management Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Investment holding
Lippo Resources Investments Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Lippo Retail Holdings Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Mantor Assets Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Masstrong Limited	Hong Kong	HK\$1	–	74.99	Investment holding



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Mastfield Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Property investment
Maxfit Holding Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Netscope Limited	British Virgin Islands	US\$1	–	74.99	Investment
Northville Global Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Oriental Coronet Limited	British Virgin Islands	US\$1	–	74.99	Investment
PacNet Holdings Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
PacNet Capital (U.S.) Limited	United States of America	US\$1.603	–	74.99	Investment holding
Pantogon Holdings Pte Ltd**	Republic of Singapore	S\$1,000,000	–	74.99	Investment holding
Polarstar Capital Limited	British Virgin Islands	US\$1	–	74.99	Investment
Premier Asia Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
莆田力寶商業顧問有限公司 (Putian Lippo Commercial Consultants Limited)** — wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	RMB2,000,000*	–	74.99	Commercial consulting
莆田塔林基礎建設有限公司 (Putian Talin Infrastructure Co., Ltd.)** — wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	US\$300,000*	–	74.99	Property services
Powerful Arch Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Investment
Queenz Limited	British Virgin Islands	US\$1	–	74.99	Investment holding



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Radical Profits Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Reiley Inc.	British Virgin Islands	US\$1	–	74.99	Investment holding
Rickon Holdings Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Rock Phoenix Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Season Spark Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Investment
Serene Yield Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Property investment
Sincere Wish Global Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Star Heaven Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Star Trendy Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Property holding
Starford Corporation Limited	Hong Kong	HK\$1	–	74.99	Investment
Super Assets Company Limited	Samoa	US\$1	–	74.99	Investment holding
Super Equity International Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Tamsett Holdings Limited	British Virgin Islands	US\$1	–	74.99	Investment holding
Topstar China Limited	Hong Kong	HK\$1	–	74.99	Investment holding
Trefar Enterprises Limited	British Virgin Islands	US\$1	–	74.99	Property investment





## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Vitaland Limited	Hong Kong	HK\$1	–	74.99	Investment holding
Waterloo Street Limited	British Virgin Islands	US\$1	–	74.99	Financing
West Tower Holding Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Property investment
Win Joyce Limited	Hong Kong	HK\$2	–	74.99	Money lending and investment holding
Winplace Global Limited	British Virgin Islands	US\$1	–	74.99	Property investment
Wollora Assets Limited	British Virgin Islands	US\$1	–	74.99	Property investment
World Grand Holding Limited	British Virgin Islands/ Hong Kong	US\$1	–	74.99	Investment
Writring Investments Limited	Hong Kong	HK\$2	–	74.99	Property investment
Lippo Select HK & Mainland Property ETF** <i>(an exchange traded fund listed on The Stock Exchange of Hong Kong Limited)</i>	Hong Kong	N/A	–	70.10 <sup>@</sup>	Investment
Jeremiah Holdings Limited	British Virgin Islands	S\$1,298,645	–	44.99	Investment holding
Nine Heritage Pte Ltd**	Republic of Singapore	S\$1,000,000	–	36.00	Investment holding
Auric Pacific Group Limited** <i>(formerly listed on Singapore Exchange Securities Trading Limited)</i>	Republic of Singapore	S\$60,251,954	–	30.17	Investment holding



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>	Principal activities
Auric Flavours Sdn Bhd**	Malaysia	RM25,000,002	– 30.17	Retailer business
Auric Marketing Sdn. Bhd.**	Malaysia	RM12,000,000	– 30.17	Supply of bakery, confectionery materials and other general products
Auric Pacific Food Industries Pte Ltd**	Republic of Singapore	S\$34,400,000	– 30.17	General wholesale and trade in food products
Auric Pacific Food Manufacturing Pte. Ltd.**	Republic of Singapore	S\$10,000,000	– 30.17	Manufacturing of other food products
Auric Pacific Food Processing Sdn. Bhd.**	Malaysia	RM1,200,000	– 30.17	Manufacturing of and dealing in butter, margarine and related confectionery products
Auric Pacific Investment Pte. Ltd.**	Republic of Singapore	S\$2	– 30.17	Investment holding
Auric Pacific (M) Sdn. Bhd.**	Malaysia	RM1,000,000	– 30.17	Marketing and distribution of food products
Auric Pacific Marketing Pte Ltd**	Republic of Singapore	S\$10,000,000	– 30.17	General wholesale, trade and distribution
Auric Pacific Realty Pte. Ltd.**	Republic of Singapore	S\$1	– 30.17	Property developers and investment
Centurion Marketing Pte Ltd**	Republic of Singapore	S\$500,000	– 30.17	Wholesale of other specific commodities



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Cuisine Continental (HK) Limited**	Hong Kong	HK\$3,000,000	–	30.17	Retailing of food and beverage products and services
Delifrance Asia Ltd**	Republic of Singapore	S\$18,058,100	–	30.17	Management and holding company, development and sale of franchising activities
Delifrance (HK) Limited	Hong Kong	HK\$12,000,000	–	30.17	Manufacture and sale of French bakery and pastry products and the operation of café-bakeries and kiosks
Delifrance (Malaysia) Sdn. Bhd.**	Malaysia	RM7,500,000	–	30.17	Manufacturing and sale of French bakery and pastry products and the operation of café-bakeries
Delifrance Singapore Pte Ltd**	Republic of Singapore	S\$4,000,002	–	30.17	Manufacture and sale of French bakery and pastry products, and the operation of café-bakeries, bakery corners and restaurants
Edmontor Investments Pte Ltd <sup>®</sup>	Republic of Singapore	S\$144,988,335	–	30.17	Investment holding and wholesale trade
Food Junction Holdings Limited**	Republic of Singapore	S\$12,707,435.70	–	29.58	Investment holding and provision of management services to its subsidiary companies, fast food restaurants and general wholesale trade



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>	Principal activities
Food Junction International Pte Ltd**	Republic of Singapore	S\$400,000	– 29.58	Fast food restaurants and general wholesale trade
Food Junction Management Pte Ltd**	Republic of Singapore	S\$1,489,000	– 29.58	Operation and management of food court and fast food restaurants, and general wholesale trade
Food Junction Singapore Pte Ltd**	Republic of Singapore	S\$400,000	– 29.58	Fast food restaurants and general wholesale trade
T & W Food Junction Sdn. Bhd.**	Malaysia	RM500,000	– 29.58	Management of food courts and operation of food outlets
Zutis Pte. Ltd. <sup>@@</sup>	Republic of Singapore	S\$200,000	– 29.58	Sale of food and beverages, and management of restaurants, cafés and bars
LCR Catering Services Limited**	Hong Kong	HK\$9,000,000	– 26.61	Owns and operates a restaurant in Hong Kong
Hongkong Chinese Limited <i>(listed on The Stock Exchange of Hong Kong Limited)</i>	Bermuda/ Hong Kong	HK\$1,998,280,097	– 71.57	Investment holding
Allyield Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Beaming Empire Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Capital Place International Limited**	British Virgin Islands/ Republic of the Philippines	US\$50,000	– 71.57	Property investment



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>	Principal activities
成都力寶置業有限公司 (Chengdu Lippo Realty Limited)** — wholly foreign-owned enterprise <sup>#</sup>	People's Republic of China	US\$3,000,000*	– 71.57	Property investment and management
Compass Link Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Conrich Inc.	British Virgin Islands	US\$1	– 71.57	Investment holding
Cyberspot Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Cyfield Limited	British Virgin Islands	US\$1	– 71.57	Property investment
Dragonjoy Investment Limited	Hong Kong	HK\$10,000	– 71.57	Securities trading
Everwin Pacific Ltd.	British Virgin Islands	US\$1	– 71.57	Property investment
Fairseas 1 Pte. Ltd.**	Republic of Singapore	S\$1	– 71.57	Owner of a motor yacht
Fiatsco Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Firstclass Real Estate Development Limited	Macau	MOP25,000	– 71.57	Property development
Golden Stellar Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
Green Assets Investments Limited	British Virgin Islands	US\$1	– 71.57	Investment holding
HCL Management Limited	Hong Kong	HK\$1	– 71.57	Management services
HKC Property Investment Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	– 71.57	Investment holding
HKC Realty LLC	United States of America	US\$2,250,000*	– 71.57	Property investment
Hong Kong Housing Loan Limited	Hong Kong	HK\$40,000,000	– 71.57	Money lending
ImPac Asset Management (HK) Limited	Hong Kong	HK\$8,500,000	– 71.57	Investment advisory and asset management



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
ImPac Asset Management (Holdings) Ltd.	British Virgin Islands	US\$2,000,100	–	71.57	Investment holding
Lippo Asia Limited	Hong Kong	HK\$120,000,000	–	71.57	Investment holding
Lippo Asset Management (HK) Limited	Hong Kong	HK\$400,000	–	71.57	Fund management
Lippo Futures Limited	Hong Kong	US\$2,000,000	–	71.57	Commodities brokerage
Lippo Securities Holdings Limited	Hong Kong	US\$23,000,000	–	71.57	Investment holding
Lippo Securities, Inc.**	Republic of the Philippines	Pesos 69,500,000	–	71.57	Investment holding
Lippo Securities Limited	Hong Kong	HK\$220,000,000	–	71.57	Securities brokerage
L.S. Finance Limited	Hong Kong	HK\$5,000,000	–	71.57	Money lending
Mass Empire Limited	Hong Kong	HK\$1	–	71.57	Investment
Masuda Limited	British Virgin Islands	US\$10,000	–	71.57	Investment holding
MGS Ltd.	British Virgin Islands	US\$1	–	71.57	Investment holding
Norfolk International Limited	Hong Kong	HK\$25,000,000	–	71.57	Investment holding
One Realty Pte. Limited**	Republic of Singapore	S\$2	–	71.57	Investment holding and provision of project and management services
Pacific Bond Limited	British Virgin Islands	US\$1	–	71.57	Investment holding
Pacific Landmark Holdings Limited	British Virgin Islands	US\$1	–	71.57	Investment holding
Peakmillion Asia Limited	British Virgin Islands	US\$1	–	71.57	Investment
Polar Step Limited	British Virgin Islands	US\$1	–	71.57	Investment



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>		Principal activities
Sinogain Asia Limited	British Virgin Islands	US\$1	–	71.57	Property investment
Sinorite Limited	British Virgin Islands/ Hong Kong	US\$1	–	71.57	Investment
Stargala Limited	British Virgin Islands	US\$1	–	71.57	Property investment
Topbest Asia Inc.	British Virgin Islands/ Hong Kong	US\$1	–	71.57	Investment
Uchida Limited	British Virgin Islands/ Hong Kong	US\$1	–	71.57	Investment holding
Wealtop Limited	British Virgin Islands/ Hong Kong	US\$1	–	71.57	Investment holding
Winluck Asia Limited	British Virgin Islands	US\$1	–	71.57	Property investment
Winluck Pacific Limited	British Virgin Islands	US\$1	–	71.57	Property investment
Winrider Limited	British Virgin Islands	US\$1	–	71.57	Investment holding
Wonder Plan Holdings Limited	British Virgin Islands	US\$1	–	71.57	Investment
Yield Point Limited	British Virgin Islands	US\$1	–	71.57	Investment holding
北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)** — Chinese-foreign cooperative joint venture enterprise <sup>##</sup>	People's Republic of China	US\$18,000,000*	–	57.26 <sup>^</sup>	Property development



## Particulars of Principal Subsidiaries *(continued)*

Name of company	Place of incorporation/ registration and operations	Issued and fully paid ordinary share capital (unless otherwise stated)	Approximate percentage of equity attributable to the Company/Group (unless otherwise stated) <sup>#</sup>	Principal activities
Wealthy Place Limited	British Virgin Islands	US\$2	– 57.26	Investment holding
Lippo Project Pte. Limited**	Republic of Singapore	S\$2	– 57.26	Property development
Kingtek Limited	British Virgin Islands	US\$100	– 42.94	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

@ based on the interest attributable to the Group

^ profit sharing ratio

## type of legal entity

\* paid up registered capital

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

@@ qualified for exemption from audit for the financial year ended 31 December 2017 in accordance with section 205(b) of the Singapore Companies Act.

Note:

MOP — Macau patacas

NIS — New Israeli shekels

PLN — Poland zlotys

Pesos — Philippines pesos

RM — Malaysian ringgits

RMB — People's Republic of China renminbi

S\$ — Singapore dollars

US\$ — United States dollars

As at 31 March 2018, all the subsidiaries of the Company had no loan capital or convertible loan capital.

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 (unless otherwise stated)	Approximate percentage of equity attributable to the Group (unless otherwise stated)#	Principal activities
Standard Pacific Limited	Corporate	Hong Kong	HK\$4,290,000	50	Investment holding
MIDAN City Development Co., Ltd.	Corporate	Republic of Korea	KRW89,266,285,000	38.54	Property development
Lippo-Savills Property Management Limited	Corporate	Hong Kong	HK\$2	37.50	Property management services
Greenix Limited	Corporate	British Virgin Islands	US\$100,000	35.79	Investment holding
Lippo Marina Collection Pte. Ltd.	Corporate	Republic of Singapore	S\$1,000,000	35.79	Property development
Healthway Medical Corporation Limited	Corporate	Republic of Singapore	S\$277,433,000	30.61	Healthcare services
莆田華正自來水有限公司 (Putian Hua Zheng Water Co., Ltd.)	Equity joint venture enterprise	People's Republic of China	RMB9,250,000*	30.00	Water supply
TIH Limited	Corporate	Republic of Singapore	S\$56,650,000	29.94	Private equity investment
Goldfix Pacific Ltd.	Corporate	British Virgin Islands	US\$16,286.6	26.37	Investment holding
Catalyst Enterprises Limited	Corporate	British Virgin Islands	US\$50,000	26.25	Investment holding
Haranga Resources Limited	Corporate	Australia	A\$40,340,817	23.55	Exploration of mineral resources
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

\* paid up registered capital



## Particulars of Principal Associates *(continued)*

Note:

- (a) A\$ — Australian dollars  
KRW — Korean won  
RMB — People's Republic of China renminbi  
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, through its non-wholly owned subsidiaries, 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, through its non-wholly owned subsidiaries, 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 (unless otherwise stated)	Approximate percentage of equity attributable to the Group (unless otherwise stated) <sup>#</sup>	Principal activities
Bamboos Professional Nursing Services Pte. Limited	Corporate	Republic of Singapore	S\$2	37.50	Provision of customised healthcare staffing solution
Tanglin Residential Pte. Ltd.	Corporate	Republic of Singapore	S\$2	37.50	Property investment and property development
Lippo Real Estate Pte. Limited	Corporate	Republic of Singapore	S\$2	35.79	Property development
Sunning Asia Limited	Corporate	British Virgin Islands	US\$50,000	35.79	Investment holding
Yamoo Bay Project Limited	Corporate	British Virgin Islands	US\$2	35.79	Investment holding
The Macau Chinese Bank Limited	Corporate	Macau	MOP260,000,000	14.31	Banking
Collyer Quay Limited	Corporate	Cayman Islands	Note (b)	Note (b)	Investment holding
Tamra Mining Company, LLC	Corporate	United States of America	US\$37,284,450.30	Note (c)	Exploration, extraction and processing of mineral resources
Lippo ASM Asia Property Limited	Corporate	Cayman Islands	US\$1,200	Note (d)	Investment holding

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



## Particulars of Principal Joint Ventures *(continued)*

Note:

- (a) MOP — Macau patacas  
S\$ — Singapore dollars  
US\$ — United States dollars
- (b) *Its issued share capital comprised of (i) 99 management shares of US\$1.00 each; and (ii) 100 participating shares of US\$1.00 each, of which the Group, through its non-wholly owned subsidiaries, was interested in 33 management shares and 60 participating shares which entitled the Group, through its non-wholly owned subsidiaries, to one-third of the voting rights and approximately 60% of the dividend and distribution of this company.*
- (c) *The Group, through its non-wholly owned subsidiaries, was effectively interested in 45% of the issued and outstanding membership interests.*
- (d) *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, through its non-wholly owned subsidiaries, was interested in 50% of all the class "A" shares in issue and 100 per cent. of all the class "B" shares in issue which entitled the Group, through its non-wholly owned subsidiaries, to 50% of the voting rights and approximately 94.26% of the profit sharing of this company.*



## Particulars of Joint Operation

PARTICULARS OF JOINT OPERATION AS AT 31 MARCH 2018 ARE AS SET OUT BELOW.

Name of company	Form of business structure	Place of incorporation and operations	Registered capital	Approximate percentage of interest attributable to the Group <sup>#</sup>	Principal activities
雲南東鑫礦產勘查有限公司 (Yunnan Dong Xin Mineral Exploration Company Limited)	Chinese-foreign cooperative joint venture enterprise	People's Republic of China	US\$14,900,000*	54.00	Exploration of mineral resources

<sup>#</sup> represents the effective interest of the Group after non-controlling interests therein

\* of which approximately US\$14,360,000 has been injected

Note:

US\$ — United States dollars



## Schedule of Major Properties

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

Description	Use	Approximate gross floor area (square metres)	Status	Approximate percentage of Group's interest
<b>Hong Kong</b>				
Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	1,064 (net floor area)	Rental	74.99
<i>The above property is held under long term lease.</i>				
<b>People's Republic of China</b>				
19th Floor to 29th Floor and 13 car parking spaces of Lippo Tianma Plaza 1 Wuyibei Road Fuzhou, Fujian	Commercial	11,955	Rental	74.99
5 floors of Unit 1 Building 1, Lippo Tower 62 North Kehua Road Wuhou District Chengdu	Commercial	5,421	Rental	71.57

*The above properties are held under medium term leases.*



## Schedule of Major Properties *(continued)*

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

Description	Use	Approximate gross floor area (square metres)	Status	Approximate percentage of Group's interest
<b>Overseas</b>				
353 Pasir Panjang Road #05-02, #05-03 and #05-05 Jubilee Residence Singapore 118695	Residential	711	Rental	74.99
118 Kim Seng Road #29-08, the Trillium Singapore 239435	Residential	514	Rental	74.99
10 Harav Agan Street Jerusalem Block 30050 Parcel 101 Israel	Commercial	940	Rental	74.99
31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines	Commercial	885	Rental	71.57
522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America	Commercial	925	Rental	71.57

*The above properties are freehold.*



## Schedule of Major Properties *(continued)*

### (2) PROPERTIES HELD FOR SALE AS AT 31 MARCH 2018

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest
<b>People's Republic of China</b>				
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	N/A	16,406	57.26
<b>Overseas</b>				
854 West Adams Boulevard Los Angeles CA 90007 United States of America	Residential	1,142	723	71.57





## Schedule of Major Properties *(continued)*

### (3) PROPERTIES HELD FOR DEVELOPMENT AS AT 31 MARCH 2018

Description	Use	Approximate site area <i>(square metres)</i>	Approximate gross floor area <i>(square metres)</i>	Approximate percentage of Group's interest	Estimated completion date	Stage of development as at 31 March 2018
<b>People's Republic of China</b>						
Meizhou Island Putian Fujian	Tourism/ Commercial	1,207,700	26,848	100	N/A	Phase I substantially completed
<b>Overseas</b>						
3 pieces of land at Minakami Heights Golf Residence Gumma Japan	Residential	12,484	N/A	71.57	N/A	Vacant land



## Schedule of Major Properties *(continued)*

### (4) PROPERTIES HELD AS FIXED ASSETS AS AT 31 MARCH 2018

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
<i>(square metres)</i>			
<b>Hong Kong</b>			
Lippo Centre 89 Queensway Central Inland Lot No. 8615	Commercial	2,811 (net floor area)	74.99
2nd Floor of Sun Court 3 Belcher's Street Kennedy Town Subsection 1 of Section C of Marine Lot No. 262, the remaining portion of Section C of Marine Lot No. 262 and the remaining portion of Marine Lot No. 262	Commercial	743	74.99
3 units and 3 car parking spaces of Celestial Garden 5 Repulse Bay Road Rural Building Lot No. 979	Residential	660	74.99

*The above properties are held under long term leases.*



## Schedule of Major Properties *(continued)*

### (4) PROPERTIES HELD AS FIXED ASSETS AS AT 31 MARCH 2018 *(continued)*

Description	Use	Approximate gross floor area	Approximate percentage of Group's interest
<i>(square metres)</i>			
<b>Overseas</b>			
2 Enterprise Road Singapore 629814 Lot No. 354 Mukim 6	Commercial	14,085	30.17
<i>The above property is held under long term lease.</i>			
2 Senoko Avenue Singapore 758298 Lot No. MK13-2293K	Commercial	7,387	30.17
<i>The above property is held under short term lease.</i>			
PT1161 and PT1162 Bandar Baru Enstek Daerah Seremban Negeri Sembilan Malaysia	Industrial	77,111 (site area)	30.17
<i>The above property is freehold.</i>			



## 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) <sup>(1)(2)</sup>	Year ended 31 March 2015 HK\$'000 (Restated) <sup>(1)(2)</sup>	Year ended 31 March 2014 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<b>96,031</b>	255,963	(169,760)	743,849	112,173
Total assets	<b>19,571,337</b>	18,484,016	17,499,019	19,604,010	19,939,519
Total liabilities	<b>(4,383,529)</b>	(4,269,279)	(2,998,704)	(4,509,496)	(4,457,266)
Net assets	<b>15,187,808</b>	14,214,737	14,500,315	15,094,514	15,482,253
Non-controlling interests	<b>(4,847,615)</b>	(5,171,412)	(5,340,080)	(5,608,645)	(6,851,092)
Equity attributable to equity holders of the Company	<b>10,340,193</b>	9,043,325	9,160,235	9,485,869	8,631,161

- (1) 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 2.2 to the financial statements for the year ended 31 March 2017.
- (2) The financial information for the years ended 31 March 2016 and 2015 is restated following the change in accounting policy of recognising the deferred tax on indefinite life intangible assets. The financial information for the year ended 31 March 2014 is not restated for such change in accounting policy as restating the financial information would involve delay and expenses out of proportion to the benefits of the shareholders.



## Supplementary Financial Information

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

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

	HK\$'000
Pro forma combined statement of financial position	
Intangible assets	1,417,497
Fixed assets	4,535,284
Investment properties	41,460,016
Interests in equity-accounted investees	2,816,539
Properties held for sale	8,376,625
Properties under development	490,798
Available-for-sale financial assets	1,415,349
Financial assets at fair value through profit or loss	1,864,759
Loans and advances	3,094,359
Debtors, prepayments and deposits	1,078,020
Cash and cash equivalents	5,016,490
Assets classified as held for sale	2,089,289
Other assets	224,893
Bank and other borrowings	(28,618,436)
Creditors, accruals and deposits received	(8,549,849)
Current, fixed, savings and other deposits of customers	(4,759,940)
Tax payable	(516,278)
Shareholders' advance	(3,417,435)
Deferred tax liabilities	(1,182,961)
Other financial liabilities	(36,685)
Non-controlling interests	(15,967,687)
	<b>10,830,647</b>
Group's attributable interest ( <i>Note</i> )	<b>11,898,359</b>

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





**Lippo Limited**  
**力寶有限公司**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 226)